

THE
APPROPRIATION
OF THE
RAILWAYS.

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THE
APPROPRIATION OF THE RAILWAYS
BY THE STATE.



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ON

THE
APPROPRIATION OF THE RAILWAYS
BY THE STATE.

A POPULAR STATEMENT.

With a Map.

BY
ARTHUR JOHN WILLIAMS,
OF THE INNER TEMPLE, BARRISTER-AT-LAW.

LONDON:
EDWARD STANFORD, 6 AND 7, CHARING CROSS, S.W.

1869.

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INTRODUCTION.

MOST of the matter contained in the first five Chapters which follow, was published a few months since in the form of Letters to the 'Daily News.' It is right to add, that although that journal gave them a prominent place in its columns, it did not adopt in any way the views I put forward. The Letters have been enlarged and published in their present form at the instance of many readers, who have thought they should be brought more generally before the public.

The further inquiries I have been led to make in preparing this little book for the press, and the important information afforded by the Second Report of the Irish Railways Commission have only strengthened my conviction that the course which I then urged is a wise one; that the longer its adoption is delayed, the graver will be the practical difficulties which undoubtedly attend its adoption, and the more serious will the mischief become which the present state of things is causing.

It will be as well that I should here explain why I have ventured to write on a subject which lies outside my own profession.

Having had occasion last year to make inquiries into

the state of our railways, I was surprised to find how little was generally known of the railway system, its past history, and present condition. With some pains I managed, out of the parliamentary and other papers and essays on which I could lay my hands, to make myself master of the main facts relating to the subject. As I read page after page of tiresome, often puerile, evidence and involved statement, I did my best to strip the question of the false analogies and absurd propositions with which interest or stupidity had surrounded it. Whilst doing this, I ceased to wonder that the public knew little of the matter. But whilst doing this, the great principles on which the whole system of railway intercommunication should rest, began to stand out clearly before me, and gave a startling prominence to those legislative, economical, and social mistakes of the past, a dim consciousness of which had led me to make my inquiries.

I found that the views I had reached, though they had often been put forward in detached papers and discussed in societies, had never been brought together and laid before the public in such a plain and consistent statement as would commend itself to their common sense. Feeling that it was of the greatest importance that this should be done, I decided on making the attempt. Hence the letters to the 'Daily News.'

My sole object in writing those letters, and in thus extending and republishing them, has been to bring all

the facts and arguments in favour of State ownership and management as clearly and concisely as I could before the public. I have tried to make my fellow-countrymen of all classes and interests understand how evil is the condition into which our railway affairs have fallen. I have tried to dispel the distrust of all Government interference, which has not unreasonably taken possession of men's minds; to state in such a way that all must readily understand them, the chief arguments which prove not only the expediency of, but the necessity for, State appropriation; to explain how the purchase may be easily and safely effected, with due regard to the interests of the investor; to point out how all danger of mismanagement by the State can be effectually guarded against; and to show how vast would be the benefits which must follow such a step.

As I send these pages to the press, I realize with pain how far my attempt has fallen short of its purpose. I can only console myself with the hope that it may lead others of greater weight and ability to take the question up and treat it in such a way as will command attention. For I feel that if the public can only be brought to realize their just claims upon the State in respect of this great national property, and the absolute infatuation of allowing the existing monopolies to continue, an expression of the national will must follow which it will be impossible to disregard. Then and then only will our system of intercommunication be made what it should be.

After what I have already said, I need scarcely add

that most of the views advocated in the following pages are not original, but have already been urged in some form or another. Many of the proposals I have made—though often made under conditions and modifications which in my opinion are unsound in principle or impracticable—are to be found embedded in chaotic Blue-books; others in pamphlets or in letters to the public press. It is of course impossible to assign to the first author of each the merit of having first suggested it. But I am most anxious that wherever the claim is sufficiently clear, it should be recognized.

More than twenty-three years ago Mr. Galt wrote a pamphlet, in which he urged upon the State the duty of taking the railway system under its control; and he has lately printed for private circulation the results of his further researches on the subject. Though he has scarcely succeeded in putting arguments which ought to be most convincing in the most convincing manner, it is not the less to his credit that by his energy and persistency he has done much to keep before the public a great question which our Legislature has treated with culpable indifference. Mr. Edwin Chadwick, following out the reasoning of Mr. Mill, has in many exhaustive essays shown that our railways form part of a great system of public highways which is not the legitimate subject of trading profits. Sir Rowland Hill and the present Under-secretary for the Colonies—Mr. Monsell—as members of the Royal Commission of 1866, took a course the wisdom and independence of which will be

remembered to their honour. Both of them declined to agree to a report which can never be read without wonder that so many able men should have been got to sign it; and presented in the shape of separate reports, two of the most statesmanlike papers yet written in favour of State appropriation. There are many others who have been contented to work out quietly some of the most difficult problems of this great question. Of these no one has done more valuable service than the Secretary to the Irish Railway Commission, Dr. W. Neilson Hancock.

But it is from abroad that I have gathered the strongest arguments in favour of the changes I propose; for there I have been able to appeal to facts, and not to mere theories. From the experience of Belgium, I have shown how admirably State ownership and management have worked for many years. I have been able to support, by the successful experience of Switzerland and America, the plan of a cheap parcels delivery, worked in connection with, and by the machinery of, the Post Office and the telegraph. Upon the excellent system in use in the United States I have, with a few slight modifications, framed the plan for registering and delivering passengers' luggage. I have been able to point to the arrangements for the comfort and convenience of all classes made in every other country but our own, as a grave reproach which should not be allowed to remain. In a word, there is scarcely a change suggested in the following pages which has

not in one shape or another been successfully tried in some foreign country.

For the preparation of the Map, which shows the suggested division of our railway system into districts, as well as for much other assistance and advice, I am indebted to my brother, Mr. R. Price Williams.

THE APPROPRIATION OF THE RAILWAYS BY THE STATE.

CHAPTER I.

THE EXPEDIENCY OF STATE APPROPRIATION.

IN the year 1844 an Act was passed, chiefly through the efforts of Mr. Gladstone, which provided that, after the lapse of twenty-one years, the State might purchase any railway to be made thereafter, upon payment of a sum equal to twenty-five years' purchase of the annual divisible profits, calculated on an average of the three years preceding the purchase.

Mr. Gladstone's Act of 1844.

Having given this statutory warning that it might twenty-one years afterwards exercise its inherent powers, the Government handed over to what was called free competition, subject to legislative control, the greatest material enterprise in the history of the world; upon which depended the future development of our manufactures, of our commerce, of our agriculture, of our progress as a nation. This was work, the proper doing of which was before all things the duty of the State. It left it for twenty-one years almost wholly in the hands of private speculators.

The effects
of private
enterprise.

During those twenty-one years the promoters of railways in this country spent more than 480 millions of money, getting from shareholders about 228 millions; from preference shareholders, more than 134 millions; and borrowing upon the security of their undertakings more than 119 millions.* With this money they constructed 476 distinct railways, having a mileage of more than 13,000 miles.

Had common honesty and common sense controlled the development of this great system, it might have been quite as efficiently built up for two-thirds of the money spent. Yet there need have been no stint; the lines could have been constructed and equipped with all the skill and completeness of the best English workmanship. Moreover, had common honesty prevailed in the promotion and execution of the system, one-tenth at the least of it would not have been made as it now stands. That one-tenth represents more than 1300 miles of railway and more than 48 millions of money. Not that this additional mileage would never have been made; most of it would doubtless have been finished. But the lines would have been planned and carried out on a very different scale. Those which pass through the pastoral and agricultural districts would

* Ordinary capital	£228,245,629
Preferential capital	134,455,098
Debt—Funded debt	£14,105,594
Floating debt	105,065,863
	119,171,457

Board of Trade Returns for 1866.

£481,872,184

have had gradients and works of a kind, unequal, indeed, to endure the ceaseless wear and tear of a great mining or manufacturing country, but quite equal to easy rural traffic. Many of them would have been single lines running from village to village. On the other hand, those mighty highways which carry the great stream of men and merchandise from north to south, and from east to west, which link together all the great centres of our industry and commerce, would have grown in their due proportions and needs. Instead of being a disjointed network, our great trunk lines would have become one great arterial system, uniform, consistent, and complete.

A monumental work it might have been, with two sets of lines each way, such as the London and North-Western has been forced to make on part of its line—the one built to bear the massive traffic of goods, the other for passengers. The danger, the delay, the loss suffered by the public, the labour and anxiety entailed upon those who manage our great lines by over pressure of work, would have been avoided; risk would have been rendered inappreciable, punctuality would have been possible, and our railway system would have been equal to, instead of being paralysed by, the increasing demands upon it.

By a curious coincidence the era of free competition in railway development came to its disastrous end, just as the twenty-one years expired, which the State had allowed for its career. The money cannot be recovered

The
threatened
private
monopolies.

which was wasted during that career, nor can many of the evils caused or permitted by the legislature be repaired. But it can do much to retrieve the past; and the time for doing it has come. The country is threatened with another and a natural consequence of the plan upon which our railway system has been allowed to grow up. The principle of free competition having done all the mischief it can, it is proposed that a process of amalgamation, which must bring about a number of vast private monopolies, shall take its place. Of all the many grave evils which the past has caused, none would be so grave as this. The mischief which would ensue if our whole system of intercommunication were to become vested in the hands of a few corporations is incalculable. Yet this evil is imminent, and will be inevitable, unless the nation takes instant and decided action. That action can only be taken in one way. More than twenty years since a far-seeing, shrewd man pointed out the folly of "leaving the whole of the roads of Great Britain, as they would ultimately become, in the hands of a few irresponsible parties." "I have always," said Mr. Baxendale, then Chairman of the South-Eastern Railway, and head of the great firm of Pickford and Company, "considered that the roads of this country belonged altogether to the people, just as much as the light of heaven."* The State must be called upon to vindicate this right, and resume functions it should never have relinquished to private enterprise.

Duty of
the State.

* Evidence before Parliamentary Committee of 1844, Q. 3191.

Against this step—the appropriation of the railways by the State—only two objections have been urged which are worth serious notice: one, that the Government would be unequal to the task of management; the other, that such an appropriation would be financially impracticable. For the objection that the State is morally bound by the contracts it has entered into with the companies is quite untenable. Most of those contracts were entered into under circumstances of mistake on the part of the legislature, or of wilful misrepresentation on the part of the promoters, which would justify a court of equity in setting them aside; whilst in every case the companies have failed to perform their part of the contract by affording proper accommodation to the public. It is scarcely necessary, too, that we should deal with an objection which will never be seriously raised in the present state of railway affairs, if it is shown that in taking possession of the railway system those who have invested in them will be fairly, nay liberally, treated. There is, indeed, another objection which has been gravely made to the purchase management of the railways by the State. It is, that there is political danger in such centralization. It has been suggested that the Executive would be unduly strengthened by the patronage it would gain, and the 170,000 men of all sorts who are employed on our railways are spoken of as if they would all act at the bidding of the Government, for the time being, on any political emergency. Those who can thus speak or

The objections urged against State ownership.

The moral objection.

The political objection.

write, little understand the political future of this country, and slander the political morality of their countrymen. I need only answer them with the words applied by a recent writer to a great people sprung from the same origin with ourselves: "Where a spirit of freedom has struck its roots into the national heart of a great race, there can be no danger of centralization; for the power that you strengthen is that of the whole people, and a nation can have nothing to fear from itself."*

The two other objections I have named are, however, of a practical kind, and it is of the last importance that the public should be made clearly to understand that neither of them has any real foundation.

The objection of administrative incompetency.

It will be as well, therefore, in the first place, to expose the fallacy of the argument—drawn from the incapacity it has shown in the naval and military administration of the country—on which the objection to the administrative competency of the Government is founded. That there has been, and still is, gross mismanagement in these departments is of course beyond dispute. It is, however, mainly due to conditions peculiar to those services which are not to be found in the railway system.

In the first place the existence of these institutions, at once the cause and consequence of international immorality and folly, is at direct variance with the economical interests of society. Founded upon prin-

* 'Greater Britain,' by C. Wentworth Dilke, M.P., vol. i., p. 285.

ciples which are hostile to all human progress, the organization of these departments is itself a monstrous anomaly, and must, under the most favourable circumstances, be more or less tainted with abuses.

The plan, moreover, on which this organization has been framed in this country is essentially unsound. A system by which positions of command are bought and sold, and which practically forbids promotion from the ranks, has degraded even below its natural degradation this lowest of all mercenary occupations.

Then, again, the management, instead of being entrusted to properly trained and efficient men, has been left, as a rule, in the hands of a class unversed in business, who were equally unable and unwilling to exercise any useful control over their respective departments.

Its operations, too—and this is a material point of difference—all lie outside the ordinary life of the people. Only at intervals are its serious acts of extravagance or imbecility dragged into light by some energetic reformer. The nation is roused to a state of wrath for a few days, as the job or folly stands exposed in the public prints. Then it turns to satisfy its more immediate daily wants, and the grievance is forgotten in the press of instant interests.

It is true that much may be done, even in these departments, by an efficient and economical Executive. As public opinion becomes more active and more searching, it will, at all events, require that they shall be managed

by men who are able and willing to act as faithful stewards of the public, and to render a fair and open account of their stewardship. Indeed, there are already clear indications that there will for the future be a new order of things both at the War Office and at the Admiralty.

But the unfavourable conditions I have pointed out as inherent in the system must always remain, and not one of these unfavourable conditions exists in our railway system. It is a great industrial agency, intended for the common good; the operations of which supply the wants of all, and affect the daily life, comfort, and convenience of every one. In its efficient working all classes are equally concerned, and every class is alike sensitive to the slightest change in the details of its management. This acute sensitiveness, indeed, would itself insure an efficient administration by the State in all important matters. For instance, no government could withstand such an outburst of indignation as that with which the public met the late attempt of the "Southern Confederacy." The real practical difficulty attending a system of State management would be that of protecting the individual passenger and freighter against the minor tyranny of officialism. Though that tyranny could not possibly be more offensive than it now is, still it would certainly have a tendency to show itself unless effectually controlled. How this control may be exercised will be explained later on in these pages.

"Officialism" the only real difficulty.

Nor would the State have any excuse for mismanagement in the administrative machinery it would find ready to its hand. For, as we shall see in detail further on, whatever evils the past state of things has caused, it has succeeded in training a class of officials admirably fitted for the work they have to do.

In the next chapter I propose to answer the financial objection by showing how the purchase of the railways may be managed, with due regard to the interests of the shareholder and the creditor, and without imposing any public burden. In doing this I shall, for the sake of simplicity, deal only with the railways of England and Wales. But the illustration will be found to apply still more strikingly to the whole system.

The
financial
objection.

CHAPTER II.

ITS ADVANTAGES TO THE SHAREHOLDER AND
CREDITOR.—THE PURCHASE.Basis of
valuation.

IN order to show in the most conclusive manner that the railway system may be safely purchased by the State, I shall so far adopt the provisions of the Act of 1844 as to assume that a sum equal to twenty-five years' purchase of the average net annual profits for the three preceding years will be paid for the ordinary stock of every dividend-paying line. It must, however, be understood that I consider this basis far too high. That adopted in the "Telegraph Act, 1866" (sec. 9, clause 6), namely, twenty years' purchase of the net annual receipts for the year preceding the purchase, with twenty years' purchase of the estimated annual increase of net receipts calculated on the average increase of the receipts during the preceding three years, would be much fairer to the State and more equitable as between the respective lines.*

* It must, however, be understood that I entirely disapprove of applying to the railway system the plan of voluntary negotiation—applicable enough (see p. 24) to the telegraph system—on which the Act is framed.

For the purpose of my calculation, the dividends declared during 1864-5-6 (the latest of which there was any official return when this chapter was written) are taken. But it must be borne in mind that these years preceded the complete collapse of our railway finance. In many cases, there can be no doubt, dividends were declared during these years which improperly distributed a large percentage of the earnings. Part of the earnings so improperly distributed should have been applied to the payment of charges payable out of revenue, but wrongly charged to capital—for in every instance the capital account remained open;—and the rest should have been retained to meet depreciation of way, works, and stock.

Dividends
not net
annual
profits.

The Board of Trade returns are so framed that it is impossible to ascertain from them the amount thus improperly paid to shareholders. This important datum, the true net annual profits of each company, can, indeed, only be precisely obtained by such an inquiry into the condition of the English railways as the commissioners have recently completed in Ireland. That inquiry included a careful examination of the permanent way, structural works, stations, rolling and working stock of each company, and a searching examination of the accounts for the preceding three years. In their analysis of the expenditure, the commissioners ascertained "how much ought to be charged to capital, and how much, being for ordinary wear and tear, and repairs, and restorations, likely to occur from

Valuation
of the Irish
railways.

time to time, should be deducted from gross profits, in estimating the net divisible profits contemplated as the basis of purchase under the Act of 1844." In each case, where it appeared that the way and works were below average condition, they further estimated the expenditure which would be needed to bring them up to the average of proper efficiency. This expenditure, which in dividend-paying lines should, of course, have been provided for out of past receipts, the commissioners assumed to be spread over three years, and they deducted from the net annual returns interest at 4l. per cent. on this amount.*

When a similar inquiry has been made into the state of our English railways and their accounts, the proportion of their receipts which should be treated as divisible annual profits—or net revenue, properly so called—will be ascertained. But in the absence of such exact information I shall, I am sure, be erring on the safe side when I assume that, of the average dividends declared in 1864–5–6, at least one-sixth was improperly distributed.

As, however, some railways may have kept their capital and revenue accounts with rigid accuracy and fairness, and divided amongst their shareholders no more than their actual income, it would be invidious to make this deduction of one-sixth from the average dividend of each company. I have, therefore, made a deduction of one-tenth from the valuation price of the ordinary and preferential capital of all the dividend-

* 'First Report of Irish Railway Commission,' pp. 6–11.

paying lines, making an allowance of one-fifteenth for the prospective increase in value of those lines, the valuation price of which is not fairly represented by the average annual profits of the three years taken as the basis of calculation. This allowance will represent a capital sum of more than $21\frac{1}{2}$ millions (21,733,000*l.*).

On the 31st December, 1866, there was, according to the Board of Trade returns, a total paid-up capital of 402 millions invested in railways in England and Wales. This was made up as follows: *—

One hundred and ninety-three millions was ordinary capital. On 102 millions of this ordinary capital an average dividend of 4*l.* per cent. and upwards had been paid during 1864-5-6. On about 29 millions of ordinary capital, an average dividend of less than 4*l.* per cent. was declared during those years.†

The ordinary capital of lines leased to other companies at certain fixed rentals or royalties was about 22 millions.

The balance—about 40 millions—of ordinary capital paid no dividend at all.

The preferential capital was a little more than 109

The
capital:—

Ordinary.

Leased
lines.

Pre-
ferential.

* The statement which follows is based on calculations I have carefully made, all the figures having been taken by myself from the Board of Trade returns. The Tables, showing the details, are given in the Appendix. Whilst, however, I believe the results to be substantially correct, complete exactness has been impossible, owing to the want of information as to the precise nature of various stocks and shares which it has not been in my power to obtain.

† The capital of lines "worked" under arrangement is treated as ordinary capital, so far as I have been able to distinguish them.

millions. On about 99 millions of this capital, dividends were paid in 1866. The balance—about 10 millions—received no dividend at all. There was also a sum of $12\frac{1}{2}$ millions invested in debenture stock, or the funded debt of railway companies; and there was a floating debt of 86 millions of debentures, of which 66 millions were charged on dividend-paying lines, and about 20 millions on non-dividend-paying lines.

Dividend-
paying
capital:
how valued.
Ordinary
capital.

The whole of the dividend-paying capital has been valued in the following way:—

The ordinary capital has been valued at twenty-five years' purchase of the average dividend declared on each line for 1864–5–6.

Pre-
ferential
capital.

The preferential capital, and the capital of the leased lines, have been treated as redeemable at 4*l.* per cent. upon the dividend declared in 1866. In other words, each shareholder will receive such a sum as, if invested at 4*l.*, would give him the income he got in 1866. For example, there were 11 millions of preference stock, the dividend on which, in 1866, was 6*l.* per cent. At 4*l.* per cent. every 100*l.* of that stock would be redeemed for 150*l.*; and the 11 millions would be bought for $16\frac{3}{4}$ millions.

Valued in this way, the whole dividend-paying capital (excluding the debenture stock), amounting to 252,286,000*l.*, would be worth 325,998,905*l.* But from this amount a deduction is made of one-tenth, to represent improper distribution of revenue as divisible annual profits, during the three years from which the average

is gained. This leaves a net amount of 293,399,015*l.* as the purchase-money of the dividend-paying capital. The liberality of this mode of dealing will be shown by the following examples :—

Ordinary capital of	Net purchase-money to be paid by State, after deduct- ing 10 per cent.	Quoted price on the 28th May, 1869.	Examples.
Lancashire and Yorkshire	£140 16 1	123	
London and North-Western	145 6 3	117	
Bristol and Exeter	115 12 6	79	
South-Eastern	81 5 9	75	

I come now to the non-dividend-paying lines. The ordinary capital on which no dividend was received in 1866 was about 39,732,000*l.*; the preferential capital on which no dividend was received during that year was 10,334,000*l.*; whilst the debentures of those companies which paid no dividend in 1866 amounted to 20,659,000*l.*; making a total of 70,725,000*l.* This amount constitutes the capital and secured liabilities of going concerns which are, in fact, insolvent, or on the verge of insolvency, partly through reckless overtrading, partly through mismanagement. The only satisfactory way in which the State can deal with them will be to distribute the fair valuation price for them in the order of distribution of an insolvent estate.

Non-
dividend-
paying
lines.

The valuation of this property must of course be made by the careful process which was adopted by the Irish Railway Commissioners; the exactness of which enabled them to value each line, its structural works, its permanent way, and its rolling stock, as accurately as a broker values a furnished house.

How to be
valued.

Without the result of this valuation, however, a reliable rough estimate may be made of what it will be. Two-thirds, at least, of the nominally paid-up capital of these lines—that of the contractors' lines—represents only a small proportion of actually paid up, and a still smaller proportion of actually expended, capital. Great part of the original capital and loans has been issued at a discount. The whole of the ordinary capital of the two largest of these lines, the London, Chatham, and Dover, and the Great Eastern, amounting to nearly 15,000,000*l.*, would not realize 4,500,000*l.* at their present market price.* The whole of this part of our railway system, if sold at its present marketable value, would not realize anything like three-eighths of its nominally paid-up capital of all kinds, even if the prospective improvement of the property were regarded. To be quite on the safe side, we will assume that one-half of the nominally paid-up capital of all kinds will be paid for these lines.

The distribution.
Proof by
secured
creditors.

This sum of 35,000,000*l.* should be distributed as follows:—In the first place the secured creditors should be called upon to prove their debts. Every one who had become a debenture-holder previous to a certain fixed date should be required to give satisfactory proof of the *actual* sum advanced by him. The price of the debentures at this fixed date, or the price last quoted or given before this date, should represent the amount for which those subsequently purchasing the debt should be

* May 27, 1869: S. E., 9,200,000*l.* at 37; L. C. & D., 6,016,000*l.* at 17.

entitled to claim. Interest, so far as it had not been paid according to the terms of the loan, should be allowed on every sum so proved.

From preference shareholders, who are in effect also secured creditors, the same strict proof as to the amount actually paid should be required. If this course were adopted, there can be little doubt that whilst each class of secured and guaranteed investor would receive all that he had paid, he would receive little more—often less—than half of the nominal amount of his debt or claim. For it has been with this class of investment that the reckless financing of the last few years has almost exclusively had to do.

The original shareholders, standing in the position of simple contract creditors, should prove against any balance that may remain, after satisfaction of the claims of the secured creditor, in the same way as the secured creditor had been obliged to establish his claim.

Proof by
original
share-
holders.

The plan above suggested is equally simple and equitable. The debenture holder, or guaranteed shareholder, will only receive what he has actually lent; whilst the effect of the late collapse has been so disastrous, and the realization of this class of securities at a great depreciation has been so large, that if strict proof were enforced of all claims, a large surplus would remain for the shareholders.

Results.

There now only remain to be dealt with the debenture stock or funded debt, and the debenture loans, or floating debt of the dividend-paying companies. The

Funded and
floating
debt.

former, if valued as preference shares at 4*l.* per cent., would require about 13 millions for its purchase. The latter, amounting to 66,000,000*l.*, receives an average dividend of about 4½ per cent. The whole of it will, practically speaking, fall due within the next seven years, and could be readily replaced by State loans at 3*l.* 10*s.* per cent. In the hands of the Government, therefore, there would be, in the course of the next seven years, a clear gain of 1*l.* per cent., or 660,000*l.* a-year, on this 66,000,000*l.* For the purpose, however, of the present calculation, I deal with this sum as a continuing mortgage debt, bearing interest at 4*l.* 10*s.* per cent.

The account
stated.

Assuming that a purchase was made by the State on the terms above sketched, the account would stand thus :—

	Nominal Amount.	Valuation Price.
Ordinary Capital, on which an average dividend of £4 per cent. and upwards was paid in 1864-5-6	£101,974,000	£157,982,180
Ordinary Capital, on which an average dividend of less than £4 was paid in 1864-5-6	28,939,000	19,645,292
Ordinary Capital of lines leased to other dividend-paying lines, treated as preference shares redeemable at £4 per cent. on dividend paid in 1866	22,385,000	28,057,071
Preference Stock, on which dividends were paid in 1866, treated as redeemable at £4 per cent. on the dividend declared in that year	98,988,000	120,314,362
	£252,286,000	£325,998,905
Deduct one-tenth from valuation price		32,599,890
Carried forward		£293,399,015

	Nominal Amount.	Valuation Price.
Brought forward	252,286,000	293,399,015
Debenture Stock, treated as redeemable at £4 per cent.	12,566,000	12,801,000
Ordinary and preferential capital, on which no divi- dend was paid in 1866, about £50,713,000		
Debenture loans of non-divi- dend paying companies, about 20,659,000		
	<u>71,372,000</u>	<u>35,379,500</u>
	£336,224,000	£341,579,515
Debenture loans of dividend-paying com- panies, about	<u>66,000,000</u>	
Total capital of railways in England and Wales	<u>£402,224,000</u>	

For a little more than 340 millions, the State would become the owner of the railways, which have a nominally paid-up capital of 335 millions. It would at the same time take upon itself a terminable debt of 66,000,000*l.*, at 4*l.* 10*s.* per cent.

The net receipts from the railways in England and Wales in 1866, after deducting all working expenses, including rates, taxes, government duty, and compensation for injury to persons and goods, were 16,380,000*l.* Deducting from this amount 2,970,000*l.*, or interest at 4½ per cent. on the debenture debt, the balance (13,410,000*l.*) would pay nearly 4*l.* per cent. (3*l.* 18*s.* 6*d.*) upon the purchase money paid by the State (341,579,515*l.*). If to this be added the sum which would be saved by single ownership and manage-

ment—estimated to be at least 10 per cent. on the gross receipts (see p. 44)—the net receipts would pay nearly 4*l.* 18*s.* (4*l.* 17*s.* 4*d.*) upon this sum.

Objection
that the
State would
be imposing
a fresh pub-
lic burden.
Its fallacy.

I may as well deal by anticipation with an objection which will no doubt be made—that the State would be imposing a serious additional public burden. The fallacy of this objection is obvious. The State would not be borrowing 500 millions to waste it on the payment of labour which is not reproductive. It would be buying a going industrial concern, already under most adverse conditions returning 1*l.* per cent. above all liabilities which it could come under for interest. There would be little need for borrowing. A large proportion of the money now invested in railways is meant for permanent investment, and would remain there if offered an irredeemable Government annuity of 3*l.* 10*s.* per cent. upon the valuation price. The owner of London and North-Western stock, for instance, would be entitled to 145*l.* for every 100*l.* stock. If he did not wish to take a Government annuity of 5*l.* 1*s.* 6*d.* for it, the money might be easily obtained elsewhere.*

Gradual
purchase by
negotiation
imprac-
ticable.

It will be observed that the above calculations are based upon two assumptions: (1) that the purchase by the State will be compulsory; and (2) that it will be incident upon the whole railway system at once.† In his sepa-

* This is the plan suggested by Mr. Monsell, in his separate report, as one of the Royal Commissioners of 1866.

† It will be seen, however, further on (chap. vii.), that the scheme is quite consistent with the appropriation of the Irish railway system as a preliminary experiment.

rate Report as one of the Royal Commissioners of 1866, Sir Rowland Hill, though expressing himself strongly in favour of the purchase by the State of the whole railway system, adopted neither of these assumptions. The plan which he advocated—and it must be borne in mind that this report preceded the complete paralysis of railway finance in 1867—was as follows:—1. That Government should gradually purchase the railways. 2. That the sale by each separate company should be decided upon by a majority of each of the three classes of investors, namely, ordinary shareholders, preferential shareholders, and holders of debentures. 3. That as a general rule the terms upon which the sale should be made * “should, in each instance, be a matter to be freely agreed upon between the railway proprietors and the Government without resort to compulsion, and therefore without resort to arbitration.” 4. “That, nevertheless, since the right operation of the measure might be thwarted by the resistance of some few companies (moved by the hope of obtaining exorbitant terms), the Government should be enabled, in the case of a very general concurrence of the railway companies, to enforce

Sir Rowland
Hill's plan.

* This is what appears to be meant by “the rate of dividend and interest” in paragraph 4 of the 10th clause in the Report: for in paragraph 2 it is suggested that, instead of paying the purchase-money in government stock, the payment might be effected “by means of a fixed annual payment like the rent of a Scotch fee, and in the form of a dividend on the shares of each railway, and of interest on its debentures.” It should be added, that the details of the plan suggested by Sir Rowland Hill are mainly taken, as he observes, from the evidence of his brother, Mr. Frederic Hill, before the Commission of 1866.

sale upon the others—of course upon equitable terms—in the same manner as they themselves have enforced sale of land upon the public.”

Railway
meetings.

The experience of the last two years must convince every one who has attended general meetings of our leading railways, that this or any other plan for the purchase of our railway system by voluntary negotiation with each company would prove absolutely futile. Mr. Frederic Hill, who it appears is responsible for this proposal, treats a railway company as if it were an individual, or a small firm having one common interest. He does not seem to be aware that not only is each railway company a society composed of distinct and often discordant elements, but that, though its constitution is theoretically democratic, the great body of the shareholders have no influence whatever upon its management or final acts of policy. Its affairs are under the control of a comparatively few interested holders. The retired tradesman or the country parson who receives three circulars all asking him to repose implicit confidence in three different men, each of whom is antagonistic to the others; who does not, and indeed is not meant to understand anything of the working of the company in which his money is sunk, either shrinks from exercising any judgment on the matter, or when he does, is usually misled by some specious misrepresentation, and makes a sad mistake. The trustee-class and spinsters or widows, as matter of universal practice, will not in any way interfere. Even the intelligent

man of business, after attending one or two general meetings, gives it up in despair; for he finds that good sense and just general views are thrown away upon meetings where those having sinister interests are well organized and act in pre-arranged concert. Yet it is with corporations thus constituted that it is gravely proposed to deal by way of voluntary negotiation, "without resort to compulsion and without resort to arbitration," upon a method by which a bare majority of the aggregate interests, however got together, will bind all the other investors.

There is little danger that the interests of the helpless and ignorant shareholder would be sacrificed to a too ready acquiescence of a majority in terms unreasonably low. The great body of the investing class, if left to themselves, would no doubt be only too glad to gain relief from all anxiety by accepting a guarantee upon fair terms. But the fact would be that all the efforts of moderate shareholders to deal fairly with the State would in most cases be thwarted by adroit and unscrupulous men, who as shareholders, and sometimes in positions of trust, would use every means of exaggerating the value of the property so as to prevent its passing out of their control—from the dominion of speculation into the stability of a State investment. It would be made an opportunity for endless stock exchange manipulation. The right operation of the measure would be thwarted not by the resistance, to use the words of Sir Rowland Hill, of "some few companies," but by a

small but powerful organization inside almost every company.

The Tele-
graph Act.

The operation of the Telegraph Act may possibly be urged in support of voluntary negotiation. But there the circumstances were peculiar. It was an experiment made on a comparatively small scale, in the face of powerful vested interests, and not—as the appropriation of our railway system must be—a great measure carried by the State under the direct impulse of public opinion. There were virtually only two or three large telegraph companies to be dealt with. The natural course in such a case was to settle beforehand the terms of purchase with these companies; then to arrange with some of the leading railway companies the terms on which they should cede their privileges as telegraph owners or telegraph lessees; and finally to make those terms the bases of purchase from the other railway companies.

All this has been carefully and honestly done. It has indeed been urged that some of those terms are unduly favourable to the railway companies. It is quite true that many of the complicated conditions contained in the sixth clause of Section 9 would never have appeared on the Statute-book, and that the nice questions which they involve would never have arisen, if the legislature had insisted upon carrying a single measure for the purchase of the railway and telegraph systems upon such a basis of compulsory purchase as I have indicated. But it will be found on careful examination

that all the conditions contained in this clause were rendered necessary by the complicated relations which exist between the telegraph companies and the railway companies, relations which ought to have been merged by a simultaneous appropriation of both in a common State ownership. Then again there is an important clause at the end of the section which provides that "in estimating the amount to be paid under any one part of the section, [the arbitrator] shall have regard to the advantages to be obtained, and the disadvantages to be suffered by the railway company under any other part of the section." On the whole, there can be no doubt that the many great difficulties to be met in this case could only be met by the modified method of voluntary negotiation which was adopted. There is every reason to believe that the result of the pending references will be to put the Government in possession of this property on terms which, under single management, will enable it to confer benefits little expected by the public, for whom the purchase is being made.

I have thought it due to one so eminent as Sir Rowland Hill to go fully into this merely incidental question, particularly as I feel sure—and I am confirmed in my opinion by men of great practical experience—that any measure framed on the principle of negotiation which he advocates must signally fail. Thus feeling, I cannot too sincerely express my regret that the vindication by this able and independent public servant of the proposition that railways are essentially mono-

polies, and consequently not suitable objects for ordinary commercial enterprise, should not have been carried to its necessary logical consequence—the compulsory appropriation of the whole property upon some uniform and fair basis of purchase.*

It now remains to show how great[†] would be the benefits which would be gained by one central administration.

* In this compulsory purchase the whole of the system of canal navigation would necessarily be included.

CHAPTER III.

ADVANTAGES TO THE GENERAL PUBLIC.—CENTRAL
MANAGEMENT.

It has been shown that the State can possess itself of our railways, without doing any private wrong or incurring any public risk. I now proceed to explain how, in its hands, they may be made what they ought to be,—a great property held in trust for the people, and brought by proper management within the convenient reach of all.

Some of those who are in favour of the purchase by Government of our railway system, hold that it should not itself undertake the management of the railways; but, to use the words of Sir Rowland Hill, who shares this view, “should let each railway on lease, as a landed proprietor lets a farm.” That any such plan would be founded on an entirely wrong principle, and that it must fail, and fail disastrously, will, I think, be obvious, for the following among many reasons:—

Leasing impracticable.

1. In the first place, the principle of leasing is clearly wrong. For those who took the leases would be capitalists about to invest a large capital, with the intention of making a profit out of the undertaking;

Reasons.

and would certainly not invest their money unless on terms which made it tolerably sure that they would earn a large profit. That the State should appropriate a great system of highways on the ground that they are monopolies which are not fit objects of commercial enterprise, and should then lease it to others to be used as a series of commercial undertakings, would be equally illogical and unjust.

2. But granting, for the sake of argument, that lessees could be found who would take the English railways in the groups arranged by the State, the settlement of the terms would be matter of the utmost difficulty. And if the settlement of the terms of each lease would be difficult, the difficulty of securing the due observance of those terms would be greater still. It would, of course, be the interest of the lessee to earn as much revenue as possible at the expense of the concern. To guard against this, the State would have to keep a large staff of highly-paid officials to be constantly inspecting the whole of this vast property, and seeing that the permanent way, rolling stock, stations, bridges, and works were properly maintained. To do this at all effectually, and in such a way that justice would be strictly observed as between lessor and lessee, would be practically impossible.* It is scarcely necessary to say that in such a case the public, and not the private, interests would suffer.

3. When, however, I have assumed that lessees could

* See evidence of Mr. Hawkahaw before 1866 Commission, QQ. 14580-85.

be got for the whole system as grouped by the Government, I have assumed an impossibility. It would clearly not be possible to get a single lessee for the whole system. It would therefore be necessary to let the railways in several lots, and to arrange these lots not in the way which would allow of the whole system being worked most harmoniously and cheaply, but in the way which would most readily secure lessees.

4. It would inevitably follow that the State would be from time to time unable to secure a lessee for some district, and would thus be placed in the false position of being a competitor with its own lessees. For it is a mistake to suppose that any plan of leasing would, to use the phrase of Mr. Edwin Chadwick, by substituting "competition for the field," get rid of "competition in the field."* It would be impossible to divide the railway system of this country into such districts as lessees would take, where there would not be more or less competition for traffic between each district. The evils of such competition as between the State and its lessee have been strikingly shown in Belgium. So long since as the year 1866, M. Fassiaux, the director-general of posts and railways in Belgium, in his evidence before our Commission,† pointed out the mischief of this state of things, and expressed a strong opinion that the State alone should, at all events, work the chief lines. It is clear from the evidence of this important authority that

* It is fair to say that he guards himself against expressing any opinion in favour of leasing.

† Evidence, QQ. 3073, 3079.

even those lines which have been constructed and worked by private companies on concessions for long terms—a very different thing from a mere lease—are not worked or managed so carefully with reference to the convenience and advantage of the public as those lines which are owned and worked by the State. “The public,” he says, “prefers the management of the State.” The State railways, too—and this is a very striking fact—though working at much lower rates than any of the private companies except one, net a much larger profit than the latter.* This is only a natural consequence of united, central, and responsible management.

There is, however, little danger that the State would ever attempt to shift the responsibility of managing this great property by leasing it to a number of purely commercial corporations, whose sole object would be to make as much as possible out of the business. For the public opinion which enforces appropriation will never permit the purposes for which appropriation was intended to be frustrated. It may therefore be safely assumed that the Government will not only undertake the management of the railway system, but will remain directly responsible for that management; and we will now proceed to consider how this may be done.

The existing companies and their staffs.

There are 340 railways in England and Wales, each of which has a distinct corporate existence.† Most of

* Evidence, QQ. 3076, 3095.

† The figures given above have been taken from ‘Bradshaw’s Railway Manual’ for 1867.

them have a secretary, solicitors, auditors, an engineer, and an office. Many of these railways are small lines, links in the system contrived by adroit speculators to be bid for by competing lines. For whilst our companies "have had to contend at great cost for the privilege of constructing and working our great national highways; when once obtained, the privilege has proved of comparatively small advantage to them, since they have always been open to attack. One of the favourite ideas of English statesmen—but without a particle of statesmanship in it—has been that it is for the benefit of the public that there should be free competition between railway companies, and with that view duplicate lines, whether got up by schemers, contractors, or *bonâ fide* companies, have been authorized and constructed in all directions."*

The principle on which these lines were constructed is well described by Mr. Sherriſſ, in his evidence before the Commission of 1866:—"The more mischievous they are the better, the more likely they are to be taken up by the companies around them. If they touch upon one company and touch upon another, they afford the means to one company of inflicting an injury upon its neighbour, and their price is enhanced accordingly."† Many of the smaller lines thus made, without any reference to the convenience of the district, have been purchased at exorbitant prices, or leased at

* "The Great Railway Monopoly," 'Quarterly Review,' No. 250, October, 1868, p. 316.

† Evidence, Q. 16396.

exorbitant guaranteed rates by one of the competing companies, and weigh down some of the larger lines with a hopeless burden of debt.

The
directors.

But there are 340 distinct corporations still left, and each of them has a board of directors, the directorships of which are 2263 in number. With few exceptions, these boards receive in the form of an allowance what is in fact a salary for their services. The amount of this allowance does not generally appear in the published accounts as a separate item, but the average may be safely taken at 50*l.* per annum for each director, or above 113,000*l.* a-year for these quasi-honorary services.*

Their cost.

Their
inefficiency.

As a rule—for there have been one or two exceptions—this plan of irresponsible boards has proved not only utterly useless, but the source of infinite mischief; of rivalry between the different companies, reckless extensions, conflicts in parliamentary committee-rooms, and unrestrained waste everywhere. “Railway directors are worse paid and more negligent than the least effective of public servants, and exhibit, as a rule, the most flagrant vices of officialism, without having the strong support which the officers of a Government derive from their public position. Probably, taking good companies and bad companies together, the average management is, upon the whole, the very worst that any system, either of public or private organization, has produced, and the experience of Belgium strongly confirms this view. The Government lines under the Department of Works are confessedly conducted more liberally to

* In every case the directors have a free pass over their own line.

the public than any private enterprise ever has been, and yet they have proved a great financial success." *

If the whole railway system became vested in the State, the railway, post-office, and telegraph administration would, no doubt, be brought together as one department; these 340 railways, with all their distinct and often conflicting interests, would become fused into a homogeneous whole, managed by one central board, and the directors with their honorary salary of 113,000*l.* a-year would vanish.

Effects of
the fusion
of existing
companies.

This central managing body should be formed of men who combine great practical experience with high character and ability. Fortunately a class, the leading members of which fulfil these conditions, has been created by the great railways of this country. A board, on which such men as Mr. Seymour Clarke, Mr. Allport, Mr. Cawkwell, Mr. Eborall, Mr. Grierson, Mr. Swarbrick, Mr. Forbes, and Mr. Joshua Williams, were brought together, with all the old antagonisms and jealousies merged in one common and great object—the harmonious development of railway intercommunication—would not be long in getting rid of the evils which those antagonisms and jealousies have caused. Perhaps the most lamentable effect of the existing railway management has been the attitude of distrust with which the various officials of the great lines have been forced to regard each other and the public. The diplomacy of

Central
managing
body—how
to be com-
posed.

* "The Irish Railways," 'Saturday Review,' Jan. 16, 1869. The above remarks of course apply to the system, not to the individual directors.

railway management, like all other diplomacy, has been a sad mistake, and nowhere are its ill consequences so conspicuous as in the evidence given before the Royal Commission of 1866. The labours of that commission would not have been so utterly useless as they proved, if their inquiries had not been met by witnesses who thought a policy of reserve and mystery essential to the well-being of the companies they served. It is impossible to exaggerate the good which would follow such a change as would render this policy impossible. It would allow those who would gladly work together in hearty fellowship to place at the disposal of each other, and of the country, special talents and local experience which have hitherto more or less neutralized each other.

Division of
the system
into
districts.

With the creation of this central board the work of reorganization would begin. The first step would be to divide the country into districts. The details of such a division will of course be matter of much careful consideration; but it is clear that any such rearrangement would be quite independent of the arbitrary territorial limits of the existing great companies. The distribution which I venture to think would be most convenient, would be as follows:—

(1.) The
Metro-
politan.

1. The Metropolitan District.—This would comprise all the short suburban lines, such as the South London, the Metropolitan, the Metropolitan Extension, the Metropolitan District, the Blackwall, the North London, the Greenwich branch of the South-Eastern, the Epping and Ongar branch of the Great Eastern, and all the

Crystal Palace lines. To this district would be added the suburban traffic of each main line, within a distance of about fifteen miles; so as to include Woolwich, Gravesend, the Crystal Palace District, the Croydon District, Wimbledon, Kingston, Hampton Court, and Richmond on the south, and Harrow, Edgware, Barnet, Enfield, Romford, and Tilbury on the north of the Thames. In most of these cases—as is the case on the London and North-Western*—the line on its approach to London must be quadrupled, so that the local may be separated from the through-traffic. The advantage of thus separating the local from the through-traffic will be very great. Through-traffic arrangements would naturally follow, which would render the Metropolitan district lines, and indeed all lines, far more available for the interchange of traffic than they now are; whilst it is obvious that the separation thus made would not involve the employment of different stations, offices, or staffs of servants. At present a person wishing to travel from any point near the Metropolitan Railway into the provinces—say to Bristol or Leeds—is obliged, if he has luggage, to take a cab. For when he reaches the Paddington or King's Cross Station he has to make a change, not of carriages—which would not matter much—but of stations. It is sad to think of the absurd difficulties and needless inconveniences which are created by the rivalries or adverse interests of different railway

* It is quadrupled to Willesden Junction, and trebled to Bletchley (46½ miles).

companies. For instance, there is a complete communication between the Metropolitan and Great Northern Railways at King's Cross, yet the passenger to Highgate from any Metropolitan station has to pass from the King's Cross Station of the one railway, across a crowded thoroughfare to the station of the other; and is carried by a double service of trains when one would have done much better. This is only one of numberless instances where the want of unity in interest and management lead to grave practical inconvenience and an increased working expenditure. Indeed, it only needs one glance at Mr. Stanford's excellent new map of the Metropolitan and Suburban lines to show the hopeless complexity of the present system.

The next district would be—

(2.) The
Southern.

2. The Southern District.—This would comprise the Great Western and its connecting lines and branches as far north as Gloucester; the London and South-Western, the London and Brighton, the London, Chatham, and Dover, and the South-Eastern.

(3.) The
Western.

3. The Western District would comprise the London and North-Western system and Wales.

(4.) The
Midland.

4. The Midland District would include the network of lines which occupies the middle of the kingdom, which connects all the great manufacturing centres of Lancashire and Yorkshire, and over which all the cross-traffic between the eastern and western sea-board is carried. This district would communicate with London by the present Midland main line.

5. The Eastern District would comprise the Midland, the Great Northern, and the Great Eastern lines. (5.) The Eastern.

The Map prefixed to the title-page shows the general arrangement above proposed, and also shows prominently the chief arterial lines.

Each of these districts would have as its general manager one of the central board of management, who would, of course, be assisted by a proper staff of traffic managers, locomotive and passenger traffic superintendents, and other officers. But the work, and consequently the expense, of management, would be greatly lessened by the following, amongst many other effects of a single central administration. The saving which would be effected:—

All the difficulties and extra labour caused by the existing conflict of interests could be got rid of. At present every railway has its own rates for passengers and goods. Arrangements, it is true, are made for through-booking, so that a passenger travelling over several different lines may take one ticket and pay one fare. And similar arrangements are made by which goods may be booked in the same manner. But the arrangement of these through-rates is a matter of the greatest practical difficulty. They are by no means universal. "The South-Eastern refuse to make through-rates with the London and North-Western, the London and North-Western refuse to make them with the Great Western, and the South-Western do not make them at all except in two or three special cases." In every one of these cases "each company will neither By getting rid of conflicting interests.

book through nor make a through-rate, but each charges its own local rate, and requires from the freighter a separate statement, which has to be forwarded to the junction of each new company."* Even where there are through-rates, in order to adjust the claims of each company in respect of the mileage of its railway over which each person or parcel has been carried, accounts of the most intricate nature have to be kept, and a special office, with a large staff of accountants and most expensive machinery, is necessary.

The railway
clearing-
house.

Some idea may be gained of the vast difficulties caused by this divided ownership and these rival interests, from a short description of the ingenious but costly machinery which is used for effecting this adjustment.

The railway clearing-house was formed on the plan of the bankers' clearing-house, for the purpose of managing and settling joint accounts of through-traffic between independent companies. It was started in 1847 by a voluntary association of a few of the narrow-gauge companies (which was incorporated by Act of Parliament in 1850), and has a central office in London. Its duties are, by means of a committee composed of delegates from each company composing it, "to regulate certain questions of the interchange of traffic between the several railway companies; to adjust the accounts arising out of the united action of the companies; to settle disputes as to the division of, and to apportion

* Evidence of Mr. J. N. Brown, before the Commission of 1866, Q. 11,183.

the receipts from, the traffic which passes over more than one line under agreements made between the several companies; and to keep records of the movement of waggons and carriages when these pass off the lines of the company to which they belong, to the lines of other companies."* At first, the association included only a few companies, but they have since risen to more than 100, commanding about 11,000 miles of railway. In 1865 there were fewer companies in the confederation than in 1861, when there were 116, a fact due to the process of amalgamation which has been going on lately.†

The clearing-house of course deals only with traffic—whether passenger or goods—which has passed over the lines of more than one independent company. Whenever a passenger travels over more than one independent line on paying one fare, it follows that there must be some through-traffic agreement between the lines travelled over; and a certain proportion of the fare which he has paid at the station from which he starts has to be accounted for by the receiving company to the other company or companies over whose line or lines the fare extends. This is done in the following way. Each ticket indicating through-traffic is sent up to the clearing-house in London, and there the proportion due to each line is carried to its credit, and to the debit of

* Report of the Commissioners of 1866, p. xviii.

† For much of the information as to the working of the clearing-house I am indebted to an interesting account of it, given by Mr. William Chambers, of Glenormiston, in his little work 'About Railways,' p. 96.

the receiving company, in an account opened between the clearing-house and each company. From the 2000 stations which are subject to this interchange, 15,000 distinct journeys may be made by first, second, and third class ticket; and each journey so made involves a distinct item of charge and distinct entries as between the companies concerned and the clearing-house. From every one of these 2000 stations the ticket-clerk sends up daily a list of all through-tickets issued by him, an account of the money received for them, and all through-tickets which, coming from foreign stations, have been collected at his station. From these materials the accounts are made up.

So also with goods traffic. At each of the 3000 stations which have arrangements for through goods traffic with other stations on independent lines, an account is kept of every box, bale, barrel, crate, of every horse or other animal, of every carriage, of every parcel which is invoiced to a station on another line. Each article so invoiced is twice entered, in black ink at the station from which it is sent, in red ink at the station where it is received. After deducting a certain percentage for collection and delivery, the proceeds are apportioned by a process of elaborate arithmetic among the companies concerned. From these 3000 goods stations no less than 60,000 different journeys may be performed by goods sent from one station to another, each of which journeys necessitates a series of entries in the clearing-house books. Of all the multifarious

transactions which ensue from these arrangements, a debtor and creditor account is kept and settled periodically, not directly between company and company, but between the clearing-house and each company. The keeping of this vast system of accounts requires the regular employment of 600 clerks, and the expense it entails is therefore very great.

Admirable, however, as is the action of the railway clearing-house, the whole of its vast and complicated system will become needless as soon as all the railways are vested in the State; for there will no longer be conflicting claims to decide, disputes to refer, or cross-accounts to settle. The accounts of each district would be kept within itself, returns being regularly forwarded to the accountant's department of the central office.

Another grave cause of delay, expense, and inconvenience arises from the divided ownership of rolling stock. Each railway, as a rule, has not only its own locomotives and passenger carriages, but its own waggons for carrying goods. Both carriages and waggons must necessarily, in most through-traffic, pass on to a strange line, and must be returned to their own line. For such time as a carriage or waggon is thus employed on a "foreign" line, it is, of course, entitled to payment in respect of its use and of its detention,—beyond a certain fixed time allowed for making up a return train,—by the foreign company. Part of the elaborate machinery of the clearing-house is devoted to the settle-

Single
ownership
of rolling
stock.

ment of this rolling stock account between the different railway companies. For this purpose the daily history of each carriage, waggon, tarpaulin, or other covering that passes off its own line on to a strange line, has to be recorded by 300 men called "number men," who are placed at the junctions of all the independent lines. These men note down the number—which is always legibly painted—on each carriage, waggon, or covering that passes them. "Weekly returns are sent by each 'number man' to the clearing-house. These, with the booking clerks' and ticket-takers' returns, afford data for calculating, not only how much each company is to receive for carrying passengers and goods, but also how much for the loan of rolling stock and tarpaulins."* There is something painfully ludicrous in this imposing array of 300 number-takers and 600 clerks, all engaged in posting up the daily, and even hourly, history of the carriages and vans which appear 700,000 times, of the tarpaulins which appear 140,000 times, on foreign lines during the year.

The confusion caused by the necessity for keeping such records, the adjustment of demurrage accounts at the clearing office, the inconvenience and loss caused by the want of a constant supply of waggons, would all cease as soon as the ownership of all the rolling stock became one. Very little ingenuity would be required to arrange that this stock, which would be the common property of all the lines, should be constantly distri-

* 'About Railways,' p. 52.

buted over the whole system, in accordance with local needs, from local depôts.

Under no head of expenditure has the waste been so monstrous as that of "law expenses." During the four years ending December 31, 1866, nearly a million of money was spent in this way. For England and Wales alone the law expenses of 1866 were close upon a quarter of a million. "Is it true," said the late Mr. Justice Crompton to the solicitor to a great railway, "that you have given up the 'North and South' railway?" "Quite true, Sir Charles. They wanted to put me on a salary of a puisne judge" (5000*l.* a-year). In the hands of the State double that amount would amply cover the ordinary law expenses of the whole system; the law business of which would be done in one office by a chief solicitor and a staff of assistant-solicitors, as is the case now with the Post Office.

It would, indeed, be impossible here to deal with all the many ways in which a saving would be effected, and waste would be prevented, if, to use the words adopted by the late Mr. Charles E. Stewart, "the railways were to belong to one proprietor, whether to a company or to the Crown." * The uniformity of practice would lead to a large reduction in the staff of every railway company; it would become possible to develop all descriptions of traffic in "full waggons, and full carriages, and full train loads at moderate speeds. Where this is practicable, the economy to be obtained," says Mr. Stewart,

* Evidence before Commission of 1866 (14,795).

"is enormous."* It can never become practicable until that "harmony of action, economy of working, certainty of regulation, and facility of transit," which, to quote the words of another witness (Captain Huish),† have been the effect of judicious amalgamation, have been perfected by bringing the whole system under one responsible control. Mr. Stewart, who was for twenty years the secretary to the London and North-Western, and whose high character, experience, and ability placed him in the first rank amongst railway authorities, was no doubt quite justified in estimating that the saving which would be thus effected would be at least 10 per cent. on the gross railway receipts of the kingdom, or an addition of 3,227,000*l.* to the net divisible annual profits of 1866.‡

Improved
railway car-
riages.

The natural consequence of this joint ownership of the rolling stock throughout the kingdom would be improvements in the construction of our railway carriages, the best of which are sadly inconvenient, the worst of which—the third-class carriages, for example, on the London and South-Western—are a disgrace to our railway management. In America and on the Continent—particularly in Russia and in Switzerland—the public have been supplied with conveniences which add greatly to the comfort of travelling, and which might be afforded here at little if any additional expense, as the existing carriages are replaced. The other day an

* Evidence before Commission of 1866 (14,791).

† Ibid. (15,905).

‡ Ibid. (14,879).

American paper described a new provision for the comfort and convenience of those making long through-journeys, which contrasts strangely with the accommodation in our long-journey express trains. The Pullman dining car, which has just been put on to each through-train on the Chicago and St. Louis route, has two saloons, each of which will seat twenty-four passengers on either side of a cooking room which stands between. In these saloons forty-eight persons can dine at the same time. The carriage being placed in the centre of the train is accessible from all parts of it, as the American cars all communicate one with another. Fifty minutes, which would otherwise have been spent in stoppages, are saved in the through-journey; whilst the passengers are able to get their meals in comfort and at leisure, instead of having to snatch and devour them in haste and anxiety.

There is no reason why such arrangements as these should not be carried out in this country. But under State management still greater reforms would be effected. In no way has the present management more grievously sinned than in its treatment of the great body of the people. The second and third class passengers, who pay nearly three times the amount paid by the first-class passengers,* have been subjected to every

Two instead of three classes.

* First-class passengers (England and Wales), 1866 ..	£3,348,994
Second-class " " " "	.. 4,430,411
Third-class " " " "	.. 4,913,485
	<u>£12,692,890</u>

possible inconvenience. Chief amongst these has been the discomfort of the carriages in which they are conveyed. Of late years, it is true, the second-class passenger has been somewhat better treated, and second-class carriages are now usually cushioned, though still comfortless enough. But for the poor man—for the third-class passenger—no consideration whatever has been shown, and on most of our lines he is thrust into a pen which is little better than a prison van.* In his able report on the railways of the United States, Captain Galton gives an interesting description of the ordinary railway cars used on the American railways, which “have been constructed so as to secure to every traveller substantial comfort and even privacy.” And here we have significant sign of the powerlessness for all useful purposes of the only controlling body which exists under our present system of private monopoly. This gentleman, the assistant secretary to the Railway Department of the Board of Trade, was only able to express his regret “that almost all English railway companies have so entirely disregarded the comfort of second and third class passengers, though as a rule second and even third class passengers pay a higher fare than is required for the superior accommodation of American railways.”†

Objections
to the
present
system :—

It is impossible to believe that the public opinion of this country would tolerate the continuance of the

* The Metropolitan is an exception. Its third-class carriages are roomy and well-lighted.
† P. 16.

existing system of three classes if the State became directly responsible for the management of our railways. The mischief which this classification has done is far more serious than the mere injustice of heaping comforts upon the first-class passenger at the expense of the other two great classes. The absurd and unfair policy which has been systematically adopted by the existing management, of driving travellers into a class beyond their means by making low-fare traffic inconvenient in all cases, and practically impossible for long distances, has been a great economical mistake. It has restricted third-class travelling, as a rule, to short-distance journeys—the average third-class journey in England and Wales being only eight miles—by imposing a prohibitive tax on long journeys in the shape of the first and second class tariff. It has added greatly to the working expenses by rendering it necessary to provide rolling stock of three kinds in all third-class trains. “One obvious cause of waste,” says Sir Rowland Hill, “is found in the distinction of classes;” and there can be no doubt that he is right in saying that “a great reduction in fares would warrant a reduction in the number of classes to two.” * Economical.

Apart from the economical advantages of such a Social. change it would have a very powerful and salutary social influence. The railway carriage is the only place where the different classes of men can meet naturally and easily without intrusion on the one hand, and with-

* Report, p. cxv.

out condescension on the other. It is the place where alone, in a state of society like ours, the great body of the public could come into direct contact with those who are educated and refined, and feel more free from embarrassment and awkwardness than anywhere else. Thinking men of all opinions in politics lament that whilst political power has passed mainly into the hands of the people, the business of "teaching their masters their letters" has not yet been fairly begun. But the mere school teaching of the people is only a part of the work which must be done. The danger of the future lies in the tendency of each class to widen the distance which divides it from the others; and if the wealth, and intellect, and culture of this country are to do their part faithfully—or, putting it on the low ground of self-interest, if they are to hold their own—in the new order of things, they must lose no chance of entering into closer and more friendly relations with the wage-earning class. This would, of course, be most effectually done by adopting the American plan, and having only one class. But even if it were possible in this country—which it clearly is not—there is a valid objection to such a change in the present condition of a large part of our population. For there is one fair distinction which should be maintained in travelling; that, namely, by which those who are clean and wholesome in person and habits are kept apart from those who are not. This distinction would be preserved by having only two ordinary classes. The tariff of these classes will be

dealt with in the chapter on fares. But I may here mention that the tariff of the higher class would be one which would allow the respectable artizan to travel by it without difficulty, and would thus enable him to meet on common ground those whom he now never meets at all, except in the relation of employed and employer. Speaking from much experience and observation, I do not hesitate to say that the society of the artizan class, even for long journeys, is seldom irksome, very rarely indeed offensive, and often pleasant, from the new and original views of life which it presents. An instinctive sense of fitness leads the roughest amongst them to respect the feelings of those in whom he recognizes at once, a different education, and different manners from his own. It is obvious that intercourse of this kind, leading to an occasional mixture of all classes, must have a very wholesome effect on each in turn. It is what is most of all things needed at the present time, and if it could be brought about would be an unmixed blessing.

But, unluckily, it would offend the prejudices of a large number of those who constitute what are called the middle and upper classes, and the unqualified reduction to two classes would no doubt be strongly opposed. This difficulty is elsewhere dealt with by making the present first class a special class at a much higher tariff in proportion to the two ordinary classes than the present. As, however, all the substantial comforts and conveniences which should be afforded to

Prejudice
against two
classes.

travellers would be provided for travellers by the ordinary classes, and as the fares of the higher of these classes will be only a small fraction of the special fares,* the practical effect will no doubt be that the special class will be rarely used except for long journeys or for invalids.

Passenger
duty.

At present a tax, which cannot be too strongly condemned, is levied upon passenger traffic. Each company has to pay 5*l.* for every 100*l.* received from its passenger fares† other than the fares of those travelling in the third-class carriages of parliamentary trains.‡ This tax, which is levied on the gross and not on the net receipts, is of course practically incident on the traveller; and in order to ensure the due payment of it, the onerous duty is imposed on each company of keeping accounts for, and making monthly returns to, the Inland Revenue, of every fare received. The amount of this tax (more than 400,000*l.*) has been allowed as an item of working expenditure in the second chapter.¶ But it is obvious that if the State became the owner of the property, it would cease to take, at great trouble and expense, money out of one pocket to put it into another.

Rates and
taxes.

Under the item of "rates and taxes" a further sum of more than 600,000*l.*¶ has also been allowed in de-

* See chap. iv., "Uniform Fares for Passengers."

† 5 & 6 Vict., c. 79.

‡ 7 & 8 Vict., c. 85, s. 9, and 26 & 27 Vict., c. 23, s. 19. ~ Ireland is exempted from this tax.

§ 430,474*l.*

¶ See p. 19.

¶ 636,822*l.*

ductions for working expenditure, in the estimate of the net income which the State would receive from the railways of England and Wales. Of this item, by far the largest part is poor-rate. The ordinary high-ways of the country are exempted from this taxation, and Sir Rowland Hill justly remarks in strong terms on the unfairness of the exemption, whilst the railways are heavily rated. "In some rural districts," he observes, "a railway company, though perhaps on the one hand relieving the parish of much pauperism by giving profitable employment to the peasantry, and on the other lightening the pressure of the rates by increasing the value of the property on which they are levied, is yet made to defray in a direct form half the parochial taxation."* "There can," as he says,† "be no reason why railroads, after becoming the property of the State, should be rated, whilst other roads remain free; and as at the same time it cannot be in the interest of the nation at large to tax its own property for *local purposes*—raising the fares to lower the rates—it appears reasonable that as a part of the whole plan such local taxation should be abolished." Whatever may be the result of the agitation with respect to a system of Imperial taxation for relief of the poor, it is clear that on every ground of reason and expediency the railway system would be allowed to come within the rule of law which exempts Imperial property from

* P. cviii., referring to evidence of Mr. Seymour Teulon.

† P. civ.

taxation. No one unacquainted with the operation of the poor-law on railway property can realize the great advantages which would be gained by such an apparently trifling change. The statutes which impose and regulate the assessment of property for the poor-rate never contemplated the possibility of such a property as railways coming within their scope; they were intended to apply to the ordinary occupier of lands, houses, and other real property within the parish. It was provided that the rate should be made upon an estimate of the "rent at which the same might reasonably be expected to let from year to year," after deducting therefrom allowances for usual tenant's rates and payments, the probable average annual cost of the repairs, insurance, and outgoings necessary to maintain them in a state to command such rent. It was further expressly provided that the profits of trade should not be taxed. When, therefore, the law came to be applied to the case of a great trading corporation passing through a number of parishes, and earning an immense revenue from its stock-in-trade by the carriage of passengers, goods, and parcels, the difficulty of getting at the bare rent at which each strip of land occupied in each parish "might reasonably be expected to let from year to year" became, as an eminent authority on the subject confesses, "all but insurmountable." *

Assessment
for poor-
rate.

In each parish or union where an assessment is disputed by the company, an elaborate calculation has to

* Sir William Hodges: 'Law of Railways,' p. 618.

be made of the proportion of all the gross returns from the traffic which has passed over the mileage within it; then from these gross earnings the proportion is calculated of the deductions which should be made for each item of working expenditure, beginning with maintenance and renewal of permanent way, and ending with Government duty. Then the proportion must be got of the allowance which should be made for interest on the capital invested by the company for trading purposes; for this purpose the whole of the rolling stock has, or is supposed, to be valued. From the balance of net earnings an indefinable percentage is deducted to represent tenants' profits, and a mileage proportion is assigned to the part of the line coming within the disputed assessment. The residuum represents the rent of the whole line, and this has to be apportioned. Throughout the kingdom these elaborate calculations are made and presented by legal gentlemen, who are naturally quite unfitted to explain them, to Courts of Quarter Sessions, utterly unable to understand them. From the decision of these courts as to the *amount* of the deduction which should be made there is no appeal, but as to the principle on which the deduction rests there is. Hence have come numerous decisions of our Superior Courts in which there have perhaps been more differences of opinion amongst learned judges than can be found in any other set of decisions in our Reports. The consequence has been an inequality in the distribution of the tax, which seems

Its in-
equality.

almost incredible. The London and Brighton rates and taxes for the two half-years of 1867 were 4·92 and 4·60 per cent. on receipts, whilst the Great Northern Railway paid only 2·06 and 1·82, and the Midland Railway only 1·90 and 1·81 during the same period!

Future
railway
extensions.

But it is on the future extension of the system that State ownership and management would have the most beneficial effect. Without it such extension will be all but impossible; for such have been the misery and ruin caused by past recklessness in the promotion of new lines, that the confidence of the public will probably never be restored sufficiently to support private railway enterprise. Yet our railway system is very incomplete. There are large districts which are untouched by it, a great number of towns and villages which it does not come near, and large tracts of agricultural land the value of which would be increased many-fold by the traffic facilities of a railway.

Under a proper system of State management these extensions would be carried out on a consistent plan at a cost which, compared with the cost of existing lines, would be comparatively trifling. For each extension would be made as a favour to the district through which it passed. The owners of land have learnt to understand how greatly railway communication adds to the value of the land through or near which it passes. As soon as it became known that the State would carry out the extensions on the principle of dealing first with those schemes in which the landed proprietors offered

the greatest advantages, the competition between the different districts would at once bring the price of the land required down to, and probably much below, its ordinary market-value. In many cases there can be no doubt that the land required for small extensions would be given by the owners.

Then, again, there would be none of the parliamentary expenses of the old system; whilst the fact that every extension would be made deliberately with reference to the whole system and its needs, and not for purposes of competition for any particular field of traffic, would ensure the prudent expenditure of money.

The only danger of State management, indeed, will be that the Executive will be not ready enough to carry on the necessary extensions. This danger cannot be guarded against in any other way than by leaving the local interests free to agitate, and affording them the assistance of a competent and independent official, whose duty it shall be to examine and report upon each application. The duties of this official are dealt with elsewhere.*

It is no matter of mere conjecture to say that under this system serviceable branch-lines may be built and equipped for less than a fourth of the average cost of the construction of our existing lines. Mr. T. E. Harrison, one of our ablest engineers, having induced the owners of the land required, to sell it for 60*l.* an acre, was able to construct the Thirsk and Malton line for

Cheap
branch
lines.

* See pp. 61-66.

4000*l.* a-mile.* The line between Wimbledon and Croydon (5 miles in length) was made for 53,000*l.*, though the estimate for the land was 10,000*l.*† The Peebles Railway, which pays 6 per cent., was constructed for 5000*l.* a-mile, single line.‡ In each of these cases the cost of construction included parliamentary and legal expenses, though any heavy expense under these heads was avoided by the absence of any opposition. The further ramifications of railroad-byways through agricultural districts might be made at a still more moderate cost, for they might be safely worked with single lines, frequent sidings for the convenience of adjoining farms, and they would only require light rolling-stock and engines.

Railroad-
byways.

Sir Rowland
Hill's
plan :—

Sir Rowland Hill, who deals with this subject in the most exhaustive manner, suggests that when a railroad-byway of this kind is contemplated, the owners of property within certain limits,§ acting with the advice and concurrence of the Government Board, shall have power to authorize the construction of the line, including the enforced sale of land, and the levying of a rate to cover expenses of construction upon the land lying

* Evidence before Commission of 1866, Q. 15,402.

† Evidence of Mr. G. P. Bidder before Commission of 1866, Q. 17,178.

‡ Evidence of Mr. Chadwick before Commission of 1866, Q. 17,181. See also Mr. William Chambers' book 'About Railways,' p. 87. It appears that rural railways are being successfully made on this plan in several departments of France. 'Journal of Society of Arts.' 1865. P. 555.

§ He proposes four miles on each side of the railway. Report, p. cxix.

within the limits. He thinks that the Board appointed to carry out the new line would gladly relieve themselves of all responsibility and trouble, by handing it over to the State on completion; and adds that "such transference might not unfairly be made an essential condition of the grant of the powers." The longer lines, he seems to think, should be carried out by the Government Railway Board, under certain conditions, the expense of construction being defrayed partly by rates and partly at the national charge. I cannot better conclude this part of the subject than by quoting his opinion as to the results of such an extension. "It would," he says, "not only greatly facilitate conveyance within the districts served, enabling labourers to pass at a trifling charge to and from their work, but, by bringing every village into connection with every town and with every other village, would extend the means of intercourse, the spread of literature, especially of newspapers, the conveyance of letters, and, in short, every means of civilization to a degree beyond calculation."*

The objection will be no doubt made that such a system would be too vast and unwieldy to be properly managed by one Central Board. But this objection will not be made by any one who really understands the wonderful simplicity which comes of proper organization. In its way, the work of our Post Office is as complex and apparently bewildering as our railway system. Yet its staff of more than 25,000 servants do all

Objections
to Central
Board :—
Unwieldi-
ness.

* Report, p. cxix.

the vast business of receiving, sorting, and distributing letters, papers, parcels, receiving and forwarding money, receiving and accounting for savings'-bank deposits throughout every town and village of any importance in the kingdom, with almost faultless accuracy and precision. And it must be borne in mind that each department will be so constituted that its business and accounts will be managed within itself, the details indeed being always subject to central inspection, but the results alone being forwarded to the head office.

Example of
the London
and North-
Western.

Under a central system the management of any one of the proposed districts would, in truth, be far less difficult than the present management of the London and North-Western Railway. It will, indeed, be seen, on reference to the Map, that the proposed Western District includes scarcely anything more than the present legitimate territory of that system, and less by a great deal than the area over which its independent traffic extends. That company has gradually acquired one main line having London and Carlisle for its termini. From this trunk-line, which carries a great stream of traffic through the whole of England, about forty branches spread on either side, and partly along these branch-lines, partly by virtue of powers to run over the lines of other companies, it carries passengers and merchandise to Cambridge, to Peterborough, to Stamford, to Leicester, to Burton, to Derby, to Leeds, and the other West Riding centres on its east; to Liverpool, to Dublin by Holyhead, to Shrewsbury, and

all through North and South Wales, as far down as Swansea and Carmarthen on its west and south-west. This vast territory, however, it does not exclusively possess. In many, if not all of the out-lying districts, it has waged incessant and ruinously-expensive wars with rival companies. These wars have usually ended in a compromise, and left the company in an uneasy joint occupation with its opponents. Every one of these compromises has led to many complicated traffic arrangements between itself and the other companies. Within the legitimate bounds of its own system, too, there still remain independent branch-lines, with the administration of which equally complicated arrangements have to be made. In some cases the two interests are at variance, and each company works its traffic *à travers* with the other, much to the annoyance and inconvenience of the public. At every point of junction with other systems it comes into contact with an administration which, if not directly hostile, is always jealous; and even where the mutual traffic arrangements are intended to be carried out in a fair spirit, there cannot, from the very nature of things, be complete unity of purpose. The needless waste of energy, of time, of administrative power, of actual labour, which is caused in this way is immense.

It is clear, then, that this great corporation conducts its business under disadvantages which would not be found in the largest of the proposed districts; for their respective boundaries would be clearly defined, and brought

within the limits most fit for administration; the mutual arrangements for interchange of traffic between each district and all the other districts would be made upon a well-considered method, with a single and harmonious purpose, and under control which would effectually prevent any foolish jealousies from arising as between one district and another.

Yet in the face of all these difficulties and of all these defects, in spite of all this needless friction, it does, by means of admirable organization and superintendence, an amount of business which is stupendous. Besides coal, "eighty thousand tons of goods pass every month through its London stations" alone; "of the 32,439,891 tons of merchandise carried by railway in England in 1866, this company's lines carried 4,693,832 tons—or more than the whole tonnage of Scotland, and nearly three times that of Ireland."

Of this immense traffic about one-fourth passes through the London goods station of the company, inwards or outwards. Those who wish to gain a vivid idea of the way in which this vast traffic is worked, should read the account of the Camden Town Station, and the working of its night traffic, in the article on "The Great Railway Monopoly," in a recent number of 'The Quarterly Review,'* from which I have just quoted. In that description, and indeed in the whole article, the accomplished biographer of our engineers is clearly disclosed. He shows how, in a station which

* No. 250, October, 1868, p. 292.

occupies nearly fourteen acres, and which has nearly 20 miles of sidings, 1500 men, by the aid of "every contrivance which mechanical skill can suggest for facilitating the dispatch of business," nightly shift from vans which come from all quarters of the metropolis 10,000 packages, averaging from 90 to 100 lbs. per package, into about 670 carriages, and send them in 27 trains to Liverpool, Glasgow, Manchester—to all parts of their great entangled system. "The scene," indeed, "appears, at first, one of inextricable confusion—men battling with bales, barrels, crates, and hampers, amidst the noise of voices and clangour of machinery; yet the whole is proceeding with regularity and dispatch; in the course of a few hours the last train outwards has left, and the station is wrapped in quiet until the time of the early morning arrivals." Then, after midnight, when the goods trains begin to come in from the country, the writer describes the similar scene of apparent confusion, and real methodical regularity which occurs again in unloading and shifting into vans the trains of meat, of poultry, fish, butter, milk, and merchandise, which arrive incessantly, between 3 and 6 A.M., from all parts of the kingdom, to be distributed or passed onwards through London.

There are, however, evils of a grave kind, which, unless guarded against carefully, will surely grow up in such a system of central management, and these it will be as well to consider here.

Evils to be
guarded
against.

If its action is not controlled by some agency which

is quite independent of its own executive, a single and central administration will become arbitrary, tolerant of minor abuses, indifferent to the complaints of individuals, and slow, if not careless, in the way of doing its work. These are evils which exist more or less in all our public departments. Any one who has had occasion to account for duties at Somerset House will have had an opportunity of studying them in their most aggravated and unpleasant form. There is an entire absence of supervision over the duties performed by the clerks in each room; and the appeal from the decision of one of them, is to another who has the disadvantage of being older in routine, and generally in consequence more dull, more prejudiced, and more impracticable than those in the room below. The result of course is utter indifference to the convenience of the poor tax-payer, and a waste of public time which would never happen if there were an effective system of inspection independent of the official management.

Abuses.

In such a vast machinery as that of the railway system there would be a far larger scope for abuses of all kinds—for carelessness, indifference, official impertinence,

Corruption.

favouritism, and—the word must be used—corruption. It is notorious that corruption of the worst kind widely prevails in our present railway administration; that payments which are made to lesser officials, under the name of commissions, but which in plain language are bribes, form a very important item in the expenses of firms who tender largely for the supply of the

many articles used on railways, from engines and other rolling stock down to grease. It would be idle to suppose that corruption would become impossible under Government management. Indeed, recent disclosures seem to indicate that it does exist in Government offices. The opportunities for it would, however, be lessened by a system of State management; for though the administration would still require workshops, fitting-shops, and all the other apparatus for the ordinary repairs of its rolling stock, it would certainly not retain in its hands the present great railway manufacturing establishments, such as Crewe. All the orders for plant, rolling stock, and stores, would of course be passed, in the last resort, by the Central Board; but a wide discretion as to such orders would still rest with subordinate officials—a discretion over which a constant and vigilant control ought to be kept by the Central Board.

The public would be entitled to some guarantee that this control was kept, that the national property was not being neglected, wasted, or destroyed. The danger lest the ample powers which must be given to the Executive should be harshly or unjustly used should also be jealously guarded against; and whenever this happened there should be some ready means of appeal, not only from a lower official to a higher, but, if needs be, from the higher official to some authority which derived its existence and its power from an independent source, in fact from the people. Care cannot be too

Supervision.

anxiously taken that the centralization should not pass beyond the public reach ; that the Executive of our railways be not allowed to become a bureaucracy, wielding in a single and concentrated form the arbitrary powers now exercised by the directorate of each railway company. It would of course be always amenable to public opinion, and subject to our courts of justice. But public opinion is not readily roused about a private grievance ; and a man does not care to incur all the risk and annoyance of a lawsuit, except in cases of serious consequence.

Chief
Inspectors.

The clumsy and practically useless machinery of supervision attempted through the Board of Trade must be replaced by something far more effective, more energetic, more business-like, more instant, to mark defects and hear complaints. There should be a small staff of able, experienced, and well-paid men appointed by the Government, whose duty it should be to travel over each district, coming suddenly and unannounced, to whom all the details of working and management should be open.* These chief inspectors should have no direct power to order anything to be done ; but they should be instructed to call the attention of the Central Board to any neglect or failure of duty on the part of local officials, and to any grievances which had been brought under their notice. They should also be instructed to make suggestions as to

* To such a system of inspection the National Provincial Bank of England mainly owes its great prosperity and stability.

matters of executive detail. At frequent stated intervals it should be their duty to make reports to Parliament; and in any case where their recommendations to the Central Executive had not been adopted, it should be in their discretion to bring the matter under the direct notice of the Legislature. It may be objected that in this exercise of their functions the House of Commons would be called upon to act as arbitrator between the Executive and the inspecting officer; this, however, would rarely, if ever, happen, and then only in cases of such importance as would justify an appeal to the Legislature. Wherever this occurred the subject would no doubt be referred to a competent committee.

Upon these officials might also devolve duties of another and still more important kind. The action of a Central Executive Board would necessarily withdraw from local control, and even from local influence, all those interests connected with railways which are purely local in their nature, and can often be only rightly understood by those who live in a particular district. Now that railways have so much taken the place of the old highways, which sooner or later must give way to them altogether, these local interests are many and important. The expediency of a new branch-line or extension, the concession of greater traffic facilities or accommodation, the alteration of the train services,—all these would be questions upon which every reasonable opportunity should be afforded for

Local
interests;
how to be
guarded.

the expression of local opinion. It is certain that before long the internal economy of each county will be vested in an administrative Board fairly representative of its inhabitants; and these Boards would be efficient mouthpieces for the expression of local feeling on railway matters. Acting in this capacity, they would exercise all the useful functions of the present railway Boards, whilst they would happily be entrusted with none of their irresponsible power. Their recommendations would in each instance be made to the Central Board. But their weight would be much increased by having the sanction of one of the inspectors of railways. Indeed, in all important cases, such, for instance, as that of a proposed extension—the question whether the application of a district should be granted, or its suggestions adopted—should in the first instance be considered by an inspector, who, after conference with the county Board and others locally interested, would include his opinion on the matter in his usual report.

CHAPTER IV.

ADVANTAGES TO THE GENERAL PUBLIC—*continued.*UNIFORM FARES FOR PASSENGERS—THE REGISTRATION AND DELIVERY
OF PASSENGERS' LUGGAGE—CHEAP PARCELS DELIVERY.

IN April of last year a paper, by Mr. Raphael Brandon, on "Railways and the Public," was read and discussed at the Society of Arts. In it Mr. Brandon urged the necessity for the purchase of all the railways by the State, and their union under one general management.* This done, he maintained that passengers might be carried for one journey of any distance at single fares of 1s., 6d., and 3d. In support of his proposition he assumes, (1) that the passenger traffic would be increased sixfold if the rates just mentioned were adopted; and (2) that the increased traffic would involve a very slight increase of working expenditure. He further assumes that one-half of this sixfold increase of passengers would take yearly tickets, available everywhere, to be issued

Mr. Brandon's plan.

* He proposes that the purchase-money should be paid in Government railway stock, bearing interest at 4½ per cent., guaranteed by the State. The amount of this stock to be given in exchange for the shares to be fixed by a competent tribunal, who should base their calculations on the average price of the shares for the past seven years, so as to arrive at a correct market-value (p. 19).

at 25*l.* first and 15*l.* second class. This would afford a return of 19,000,000*l.* The proportions in which the other half would take first, second, and third class single tickets would (he calculates) be such as would afford a return of about 16,000,000*l.*

When I was working out the calculations which follow, I was not aware of the fact that Mr. Brandon had put forward his novel views. It is not referred to in any of the Parliamentary Blue-books nor in any of the pamphlets to which I had access, although it appears that as long back as 1864 Mr. Brandon had forwarded to Mr. Gladstone, who was then Chancellor of the Exchequer, a brief statement of his views. It was only when my own calculations had been embodied in the form of a letter to the editor of the 'Daily News,' that my attention was directed to Mr. Brandon's pamphlet.

I am most anxious that Mr. Brandon should receive the credit which is undoubtedly due to him. He has been the first to arrive at and advocate the adoption of a principle which, when fully applied to the carriage of passengers and commodities, will, I firmly believe, bring with it blessings only second to those of free trade. Whilst, however, I am sure that the results of central management will prove to be much more favourable than those which I have worked out further on, I regret that I cannot adopt Mr. Brandon's assumptions, and consequently cannot accept the conclusions he draws from them. The first assumption as to increase of

traffic is contradicted by the experience of the effects produced in Belgium by a remarkable reduction in passenger fares. In that country the fares were reduced in 1866 for long distances above 50 miles, in all the three classes, to an extent of from 39 to 65 per cent. upon a tariff of fares already much lower than ours. Yet though third-class passengers under this new tariff could travel by express trains 216 miles for a fraction of a penny less than 5s., instead of having to pay 1*l.* 11s., as they would in this country, the effect was that long-distance traffic was not quite doubled. It must be borne in mind that low fares are not by any means the only expenses of moving from place to place, and that "the motives of convenience, pleasure, and utility, which lead men to travel, cannot be multiplied beyond a certain extent." * With respect to the second assumption, the proposition that additional traffic can be carried without additional expenses, is only true to a limited extent, as will be seen in the course of the present chapter.

Under these circumstances I must adhere to my original opinion, that as long as the average fare remains as high as it does at present it will not be possible to adjust it so as to have a single fare for one journey of any distance. It will, however, be quite possible to adopt *uniform* rates of charge as soon as the railways have become properly organized in the hands of the State.

Uniform
fares.

* Report of M. Descamps to Chamber of Representatives at Brussels.
'Irish Commissioners' Second Report,' p. 35.

Relative
cost of
goods and
passenger
traffic.

For the purpose of gaining some idea as to what those rates will be, I assume that the ordinary passengers will be divided into two classes, and include in my present calculation the existing first-class passengers. The gross receipts from passengers of all classes in England and Wales during 1866 were 13,125,000*l*.* The gross receipts from mineral traffic were 5,962,000*l*., and from merchandise 11,036,000*l*.,† making a total for goods traffic of 16,998,000*l*. The total working expenditure for all the traffic, both passengers and goods, was 15,092,000*l*.‡ The proportion of the gross working expenditure chargeable to passenger traffic is not given. It is, Sir Daniel Gooch says,§ impossible to apportion the expenses to passenger and goods traffic. But he is confirmed by the evidence of Mr. Hawkshaw and Mr. Charles Hutton Gregory, the present President of the Institution of Civil Engineers, and, indeed, by all other authorities on the subject, in his opinion that the working expenses of the goods traffic are much greater than those of passenger traffic; the wear and tear of the permanent way, and the expense of locomotive power being much larger in the case of goods than in the case

* Excluding receipts from excess luggage and mails (1,628,500*l*.).

† Excluding receipts from live stock (522,278*l*.).

‡ After deducting 802,000*l*. as the proportion of expenses chargeable to receipts from excess luggage and

mails	£1,628,500
And from live stock	522,278

£2,150,778

§ 'Evidence before Commission of 1866,' QQ. 17,353-5.

of passengers.* On the Great Western the locomotive expenses have been apportioned at $8\frac{1}{2}d.$ per train-mile for goods, and $6\frac{1}{2}d.$ for passengers.

The incidental expenses at the stations are also much higher in the case of goods than in the case of passengers, who move themselves in and out of the trains, and do not require to be collected, stored, covered, or shunted.

It appears from a Table in the Great Northern Railway Report for 1866, which is a fair example of a mixed traffic line, that, upon an average of twenty half-years, these incidental or special traffic charges were 10 per cent. upon gross passenger receipts; rather more than 12 per cent. ($12\cdot272$) on mineral traffic receipts; and nearly 19 per cent. on merchandise traffic receipts.

Deducting from each item of the gross receipts for 1866 the proportions per cent. which represent special charges as payable by each class of traffic, and treating the balance of working expenses as distributable in arithmetical proportion amongst the two heads of "passengers" and "goods" traffic, we have 6,295,000*l.* as the total amount of working expenditure for passenger traffic, and 8,797,000*l.* for minerals and merchandise. But as it is agreed that there are other items of working expenditure—locomotive power, maintenance and renewal of permanent way, and maintenance and renewal of rolling stock—of which a larger proportion should be charged to goods than to passenger traffic receipts, the

* 'Evidence before Commission of 1866,' QQ. 17,639-40-53, 14,429.

odd 295,000*l.* may fairly be transferred from passenger to goods working expenses. The passenger working expenses will thus stand at 6,000,000*l.*, or 2*s.* per train mile, whilst the goods working expenses will be 9,092,000*l.** If we divide this sum of 6,000,000*l.* by the number of passengers of all classes who travelled in 1866 (238,137,000), we find that the expense of carrying every passenger of every class, whatever distance he travelled, whether 2 miles or 300, was almost exactly 6*d.* (6·04) per head.

Passengers :
average cost
of convey-
ance, 6*d.*

Average
fare, 13*d.*

Again, on dividing the total gross receipts from passenger traffic (13,125,000*l.*) by this aggregate number of passengers, it appears that if each passenger who travelled in 1866, whether first, second, or third class, and whether he travelled from one station to another, or from one end of the kingdom to another, had paid a small fraction of a penny more than 13*d.*, the companies would have received the income they received in 1866. That income, I have already shown, would pay its proportion of a net return of 3*l.* 18*s.* 6*d.* on the amount which, at the most liberal valuation, would be required to purchase the railway system of England and Wales. These calculations, it must be remembered, are made without any allowance for the great saving in working expenses which will be the result of a single uniform management—a saving which has been put by so cautious a witness as Mr. Stewart at 10 per cent. on our gross receipts.

* Or 3*s.* 2*d.* per train-mile. (See p. 93.)

As the State, holding the railways of the empire in trust for the people, would never be permitted to make a profit from it, there can be no doubt that in course of time this average sum of 13*d.* will be ultimately much reduced. This reduction, however, could not be made for some time. It will be found absolutely necessary to double many of our great trunk-lines in order to carry any large increase in goods traffic. Though most of the branch-lines and extensions would probably be made with capital partly raised by local rating, the State would in every instance have to contribute the remainder. The surplus income would of course be required to cover the interest on the capital required for these purposes. But, dealing with this average sum of 13*d.*, I submit that it would be possible to adopt a uniform rate on the following basis :

Proposed
uniform
rates.

	1st Class.		2nd Class.	
	s.	d.	s.	d.
Under 5 miles *	0	4	0	2
Above 5 miles and under 10 miles	0	8	0	4
Above 10 miles and under 20 miles	1	0	0	6
Above 20 miles and under 50 miles	2	6	1	0
Above 50 miles	5	0	1	6

The following are the grounds upon which I maintain that this scale may be safely adopted. The average fare paid by each second-class passenger in 1866 was 1*s.* 2*d.* The average fare per mile was 1.49*d.*† The average journey of the second-class passenger was

Grounds of
proposal.

* In suburban districts special arrangements would of course be made for shorter distances than 5 miles.

† The average fare paid by first-class passengers was 2*s.* 6*d.* At 2*d.* a-mile this represents an average journey of 15 miles.

therefore a little over nine miles. The average fare paid by the third-class passengers was 8·59*d.*; the average mileage fare was 0·95 of a penny per mile, which gives an average journey of nine miles. The average journey would of course be increased by such rates as I propose. But it will not be by any means so largely increased as might at first be supposed; for long journeys involve expenses beyond that of mere travelling, which are as formidable as the existing fares to the traveller. The great increase would be in short journeys, and in suburban traffic. An increase of one-third in the average mileage, which would be very large, is here assumed. The average number of passengers per train in 1866 was 75,* in the proportion of 32 first and second to 43 third. Taking the first and second as one class, and each passenger as making an average journey of 12 miles, each average train of 75 would earn 2*l.* 13*s.* 6*d.* gross receipts, which, after deducting working expenses at 2*s.* per train-mile, would leave 1*l.* 9*s.* 6*d.*† per train net profit. As there were 3,168,460 trains of 75 each in 1866, it follows that there would be a net return of 4,673,478*l.* from passenger traffic.

Working expenses.

But whilst the traffic would be greatly increased, the

* There were 3,168,460 passenger trains, and 238,137,000 passengers.

† Average journey of 12 miles, 32 first, at 1s.	£1 12 0
" " " 43 second, at 6d.	1 1 6

£2 13 6

Deduct working expenses, at 2s. per train-mile	1	4	0
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Net profit	£1 9 6
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working charges would proportionately increase very little. • Indeed, up to a large additional traffic, the working expenses would not increase at all. For, except on the metropolitan lines, and in the suburbs of large towns, a great proportion of the trains now run are half empty. “The number of trains might be reduced one-half on most lines,” says Mr. Hawkshaw.* From careful statistics kept by the London and North-Western, it appears that on an average the trains which leave the Euston Square Station carry less than one-third of the number they could carry, if full.† Moreover, where additional carriages or trains are required, they do not add to those general expenses which are constant. “There is very little difference,” says Mr. Allport, “between an ordinary light train of five or six carriages, and one consisting of ten or twelve carriages.”‡ Sir Daniel Gooch puts it at less than three-fourths of a penny per mile, including locomotion and wear and tear of permanent way.§ The additional cost of each additional train run on a railway, according to the late Mr. Robert Stephenson, in his inaugural address to the Institution of Civil Engineers, is 1s. 3d. a train-mile. This is regarded as an over-estimate. Yet, at this rate, a suburban train taking an average of 300 passengers (including those entering and leaving at intermediate stations), in a journey of five miles, would

* Evidence before Commission of 1866, Q. 14,518.

† Ibid. (Mr. Charles E. Stewart), Q. 14,821.

‡ Ibid., Q. 13,853.

§ Ibid., QQ. 17,439-446.

net 3*l.* 0*s.* 5*d.*, or 12*s.* 1*d.* per train-mile, if one-third were taken for 4*d.* and two-thirds for 2*d.*; and it would net 1*l.* 7*s.* 1*d.*, or 5*s.* 5*d.* per train-mile, if they were taken one-third at 2*d.* and two-thirds at 1*d.*

Results.

“Special”
class and
season ticket
returns.

But if we assume that the traffic will be increased only 50 per cent. at half the present working expenditure, we have a further net profit of 3,287,277*l.*, or a total net revenue from passenger traffic of 7,960,755*l.* as against a net revenue of 7,125,000*l.* in 1866, without including the returns from the “special class” referred to in the next paragraph but one, and the returns from season tickets, which would be very considerable. The constant traveller would gladly pay more than the sum which represents the average number of his journeys, for the convenience of a pass which would be available everywhere; and the daily traveller for any fixed distance would do the same for the privilege of using this pass anywhere within the distance for which he takes his daily ticket. It is, however, quite impossible to make more than the merest guess as to the number of this class of travellers.

Such, on the most moderate calculation, would be the results, if a single fare were charged of 1*s.* first and 6*d.* second class. But as these fares would be too high for short distances, the two long-distance fares have been added to correct the disturbance of the average which would be caused by the short-distance fares. It will probably be found that the 2*s.* 6*d.* and 1*s.* fares will more than do this.

I have already stated my reasons for proposing that there should be only two classes at low uniform rates, the first being, however, rather higher in proportion than the second. Briefly re-stated, these reasons are, (1) that the advantages now afforded to the first-class passenger are afforded most unfairly at the expense of the two other classes; (2) that the only reasonable distinction is that required to keep apart those who are offensive in person or manners from those who are not; (3) that the line drawn by two rates would do this, though they differed comparatively little in amount; whilst (4) if the higher rate were made very moderate it would bring about a mixture of all classes, except the most degraded poor, upon the easiest of all social meeting grounds. In order to supply the wants of invalids, and the prejudices of a certain class of travellers, the present first class might be converted into a "special" class, with its fares kept quite as high as they now are. The fares should be graduated on a 20-mile scale; the lowest fare being 20 miles (or 3s. 6d.), which should be charged for each 20 miles or fraction of 20 miles travelled.

Two classes.

The
"special"
class.

Such an arrangement would prevent this class from interfering with one of the chief conveniences which would follow uniform rates; the ticket clerk's window, with all its delay, crush, and annoyance, would be at an end. It could be replaced by check turn-tables, one for each class and fare. Each passenger on passing through would pay his money and receive a ticket from the

Advantages
of uniform
fares.

clerk, which would have the station and the fare printed on it—thus: London, 6*d.* Tickets of a different form and colour, so as to distinguish them from those sold by the ticket clerk, having the price but no station printed on them, might be sold as postage-stamps everywhere. These would be available anywhere; for on presentation at the turn-table of any station they would be stamped with the name of the station. At every station the passengers would give up these tickets as at present; the collector would know at a glance if they had come too far, and the excess would be paid. In this way the receipts of a whole district might be checked by a few clerks at the head office, to whom the tickets sorted, and the returns from each station, would be sent every day.

Luggage.

In the hands of a Central Board, a simple and uniform system might be adopted for the registration, carriage, and delivery of passengers' luggage. This might be done in such a way that the serious annoyance and inconvenience arising from the present method, or rather want of method, would be got rid of, whilst a large revenue might be secured. Mr. Brandon in his paper very properly urges that all packages placed in the luggage-van should be paid for. If any approach were made to the tariff suggested in this chapter, there could be no hardship in requiring that for every article of luggage which accompanies a passenger he should be required to pay a small fee of 2*d.* for the expense of registering, putting in, and handing out each package.

In order to levy this, the registration of passengers' luggage should be made compulsory. The present ticket machine could be used for issuing and numbering the luggage tickets. These tickets would be handed up at the end of the journey, and the luggage would be delivered at each station in the order of time (indicated by the number on the tickets) in which the passengers had attended to register it at all the larger stations. In this way the fair claim which those who "first come" have to be "first served" would be protected.*

Compulsory
registration.

Exemptions from liability to registration would of course be made in favour of all parcels, bags, or portmanteaus which are carried in the passenger's hand and can be placed under a carriage seat. But the unfair practice of filling carriages with luggage, and appropriating the exclusive services of a porter for the purpose, might be effectually stopped by inflicting a fine of a full fare for the distance travelled by its owner for every package found occupying a carriage seat, and by forbidding porters, on pain of dismissal, to carry *unregistered* luggage under any pretext whatever.

Exemptions.

With a general "parcels delivery" organized upon a modification of the plan adopted in Belgium—where parcels up to 22 lbs. are carried 161 miles by express

Delivery of
luggage.

* On the American railways duplicate brass cheques are used; one being given to the passenger, the other affixed to the luggage. This plan works very well (Captain Galton's Report, p. 23); but there would be much difficulty in adopting it for our system.

service and delivered for 10*d.*, and by fast service for 7*d.*—the registration of luggage might be easily supplemented by its expeditious delivery for a small additional fee of, say, 3*d.* per article, at the passenger's destination. This delivery would probably be at first confined to first-class stations where the parcel service was in extensive operation. Except in special cases—such, for instance, as that of commercial travellers carrying samples—the delivery, like registration, should be compulsory wherever it was in operation.

The expenses of such a system would be very slight; for the duties of the large staff of porters now employed would be materially lessened, by being changed from a constant scramble for gratuities, to definite and methodical work; and the additional expenses it would entail on the parcels delivery department would be very trifling. One great advantage which would be gained by the change would be, that it would put an end to the custom of bribing porters and guards to do, in an undue order of preference, work for the doing of which they are already paid; since it would be useless, just as the new law has made bribery useless in the case of smoking.

Financial
results.

The receipts from this source would be very considerable. Of the 238,000,000 of passengers who travelled in 1866, probably much more, certainly not less, than one-half had luggage; and of those who had luggage, many had more than one package. But assuming that there were only 114,000,000 packages at 2*d.*

each for registration, they would yield a return of 950,000*l.*, which would be clear gain, and, with the delivery fee, would far more than cover the extra expenses of delivery.

Objections will no doubt be made to any system of either registration or delivery, on the ground that both would involve delay. The answer is, that registration involves no more delay than is absolutely required for filling and dispatching a train with due regard to the common convenience and safety of all who travel, and the fair demands upon the servants of the administration. For it would be a mistake to suppose that the change must be, from the present rush to the tedious formalities of the Continental system, which, as Mr. Wm. Chambers says, would be "unendurable" to Englishmen. Properly managed, the new plan would only require the attendance of the passenger who travels with luggage, five minutes before each train started.* The fact that non-compliance with this requirement involved the loss of a train, would soon cease to be thought a hardship; since a very short experience would make it clear that the loss of a few minutes in each journey was well repaid by the order which would replace the present confusion at large stations, and by the sense of comfort felt at being relieved from all anxiety about one's luggage.

The objection to having luggage delivered would

Objections :

To registration.

To delivery.

* See Memorial of Bristol Chamber of Commerce to Commission of 1866, Q. 13,880.

come from those whose means are so ample that they always take a cab; those, in fact, who at present almost exclusively engross the services of station porters, or travel with their own servants. Even they will in reality be better off by the change; for fees to guards and porters do not ensure the safety of their property; and servants are, as a rule, worse than useless in railway travelling. But were the case otherwise, the plea of their convenience must not be allowed to affect the just claims of that far greater class to whom a cab fare is a matter of moment, and a shilling an important part of a day's income. To the great mass of travellers the delivery of their luggage at a small extra fee will remove one of the most serious minor difficulties and expenses of travelling.

Cheap
parcels
delivery.

I have referred to a cheap parcels delivery. This will, no doubt, be carried out by an extension of our postal department, the 10,000 offices of which would become receiving-houses for the collection and delivery of small parcels—as is the case at present in Switzerland—and will be worked in connection with a cheap telegraphic post. In this way an immense saving would be effected in the expense of distributing commodities. “All the post-offices in Switzerland are thus utilized, and hence they can do that cheaply which cannot be done other than dearly by any separate establishment. In Switzerland the effect of this combination of the parcel-post with the postal telegraphy has been to enormously diminish the amount of the stocks kept in

the retail shops—the traders do as much now with these facilities with one capital as they formerly did with five because they can send at once, and supply themselves with stock just as they want it.”* To the wholesale houses it would be both a convenience and a source of economy, nor would it be less so to the individual consumer living out of the larger towns. For it is hard to realize how low the tariff would be at which the system might be profitably worked. At present the rate for book-parcels carried by post is 1*d.* per 4 oz., or 4*d.* for every pound; so that a book weighing 8 lbs. if sent any distance by book-post costs 2*s.* 8*d.* for carriage. This rate, too, only applies to book-parcels. The recent postal arrangements for carriage of sample or pattern parcels have fixed a still higher rate of 8*d.* per pound, and this applies only to parcels not exceeding a pound and a half; so that the carriage of parcels is almost entirely done by the railway companies. Each company has its own tariff. We will take the Great Northern as an example.† Its parcel tariff begins with a charge of 6*d.* for carrying a parcel not above 24 lbs. any distance up to 30 miles. Within this distance parcels above 24 lbs. are charged one farthing for every pound. For distances above 30 and not exceeding 50 miles the charge is 6*d.* for parcels not weighing more than 3 lbs.; 8*d.* for parcels above 3 lbs. and not exceeding 16 lbs.; and a

Present
rates.

* Evidence of Mr. Chadwick before the Committee of 1866, Q. 17,253. See also the account of the Swiss system, in his Papers read before the Social Science Association, and at Belfast.

† ‘Appendices to Report of 1866 Commission,’ p. 23.

half-penny for every pound above that quantity. For distances exceeding 50 but not exceeding 100 miles, the charge is 6*d.* for parcels weighing not more than 2 lbs.; 8*d.* for parcels weighing 3 lbs.; 10*d.* for parcels weighing from 3 to 7 lbs.; 1*s.* for parcels weighing from 7 to 16 lbs.; and three farthings for every pound beyond 16. Thus the rates go on varying for each 50 miles carried.

According to this tariff, a parcel of 8 lbs. weight would be carried 30 miles for 6*d.*, whilst it would be charged 3*s.* if carried 401 miles. On the Belgian State railways the highest rate which would be charged for such a parcel would be 9*d.* if carried by express service; and for 1½*d.* more it would be collected from the sender's house.*

Suggested
rate.

The absurdity of this sliding-scale of charge for parcels, the difference in the cost for carrying which 10 or 200 miles is scarcely appreciable,† will, at some not very distant day, be realized when we have threepenny telegrams, and a parcels delivery which will carry parcels at a single rate to all parts of the kingdom. If properly organized, that branch of our railway system will pay, if the rate rises from 1*d.* for the first pound by gradations of a farthing per pound to 12 lbs., and half-a-farthing per pound beyond, even if these charges include collection from the Post-office receiving-houses, and delivery at the address.

* See Table in 'Irish Railway Commission, Second Report,' p. 57.

† The locomotive expenses are 8½*d.* per train-mile. The difference, therefore, in the cost of carrying a parcel weighing 14 lbs. 200 instead of 10 miles in a train of 150 tons, would be less than three-farthings (0·67*d.*).

CHAPTER V.

ADVANTAGES TO THE GENERAL PUBLIC.—SINGLE RATES
FOR GOODS.

IF the travelling public would benefit greatly from uniform passenger fares, the nation would benefit still more from low rates for the carriage of commodities.

National
importance
of the
subject.

In the first place, the home consumer would gain; for the cheaper the carriage, the cheaper will be the commodity. But this gain would be of little moment as compared with the important bearing which the cheap carriage of goods has upon our national prosperity. The future position of this country, in its competition with other states as a great manufacturing and exporting country, will depend mainly, if not wholly, on our being able to keep down the price at which we can offer our merchandise in foreign markets. Two of the most important elements in that price are, the cost of carrying raw material and fuel to the manufactory, and the cost of carrying the merchandise to the seaboard. It should, therefore, be the first object of the State, as it will be the interest of the community, to deal with the question of the rate of carriage for commodities in

such a way as will place the manufacturer and exporter at the greatest possible advantage.

The
existing
system.

The existing system, which is based upon the principle laid down by Mr. Allport in his evidence before the 1866 Commission, that "a railway manager is justified in refusing to take a lower rate if he can get a higher"* is one of the most hopeless confusion, uncertainty, and inequality. Whilst the system on the Continent is, as the writer in the 'Quarterly Review' says, "uniform, and based on just and definite principles, the tariffs of the English companies, on the contrary, present the greatest anomalies. They make distinctions between persons and between places; they serve large customers at a lower rate than they serve small ones."†

Clearing-
house
classifica-
tion.

The fares, tolls, and rates levied by each company are authorized by its own special Act or Acts; for the authority is usually contained in several. The Great Northern, for instance, has twenty-five, and the South-Eastern no less than thirty-five Acts regulating its tolls. For the convenience of through-traffic, however, it has been found absolutely necessary that there should be some common classification of goods; and the clearing-house authorities have, therefore, arranged alphabetically in eight classes—namely, a mineral, a special, and six other classes—all imaginable commodities, with the exception of a few of the articles comprised in the Carriers' Act. This classification is merely an index to

* Q. 13,751.

† 'The Great Railway Monopoly,' p. 318.

the different rates charged for each article by each company; since each company may, within its maximum limit, not only charge what it pleases, but may make alterations in its charges without giving any notice to the public. Though in the different classes some common standard of charge is approached by most companies, the rates of each differ in the most bewildering manner, as may be seen by looking at the returns given in the Appendices (vol. ii.) to the evidence taken by the 1866 Commission.

For each of the articles in the clearing-house classification a mileage-rate is charged, rising from about one-eighth of a penny per ton per mile (which is only charged for minerals when carried a long distance), up to rates which may be as high as 1s. 8½d. a ton per mile; * since all the companies have a special clause in their Acts which enables them to charge for carrying goods less than a certain minimum distance—rising from six to eight miles—as if they had been carried the whole distance. Their Acts also enable them, within their minimum distances, to charge for less than a fixed minimum number of tons as if they had carried the whole weight.

Mileage
rates.

Minimum
rates.

Each railway is also practically left free to make any bargain it likes with the individual freighter. For, though there is a general Act of Parliament which expressly provides that no company shall give any undue

“Special”
rates.

* Midland Returns, ‘Appendices to Evidence of Commission of 1866,’ vol. ii., p. 37.

preference to any particular person, or to any particular description of traffic,* this Act has been so interpreted by judicial decisions as greatly to narrow its legal effect; and even its legal operation is virtually defied by the companies. Wherever, therefore, a company thinks that by so doing traffic can be created, or increased, it usually makes "special rates"—that is, lower rates than the ordinary quoted mileage rates. But this plan of special rates has only made matters worse. For it is generally in the discretion of the goods or traffic manager to make what bargains he pleases.† The necessity for vesting such a discretion anywhere is itself a great evil; and it is urged on the part of the freighters that personal partiality, prejudice, and sometimes even more questionable motives, are apt to influence the concession of these special rates. So great is the evil caused by the system, that the universal feeling of the freighters, as a class, seems to be in favour of a return to a uniform mileage rate as a lesser grievance.

Objections
to them.

Terminal
charges.

In addition to their mileage rate, each company is, by its special Act, empowered to make a "reasonable charge" for certain services over and above the carriage of the goods from station to station. These services are paid for by what is called a "terminal charge;" but what the services are, what the charge is, and what both should be, have been a great mystery. One railway manager (Mr. Percy Morris) was bold enough

* The Railway and Canal Traffic Act, 1854, s. 2.

† Evidence of Mr. Grierson before Commission of 1866, Q. 11,863.

to maintain that they included "all the duties which we perform for the freighter." It appears from a valuable letter on the subject from the Board of Trade to the Commission of 1866, that the companies were limited in the earlier Acts to making this "reasonable charge" for "loading and unloading where the service is performed by the company." The companies soon found the advantage of being able to impose an indefinite addition to their maximum charge; and the clause was gradually extended, until in later Acts it included loading, unloading, covering, delivery and collection of goods, and "other services incidental to the business of a carrier," warehousing, wharfage, and even the use of sidings and stations, "the very places," as the Secretary of the Board of Trade observes, "without which the company could not carry on its business."

One of the chief grievances of the freighter has been this vague charge, the reasonableness of which is left entirely to the company—as there is no effective appeal against their decision—and the amount of which is never distinguished from the mileage rate.

The incongruity of the clearing-house classification and the intricacy of its arrangements are no doubt due to the fact that the various railway companies are not only controlled by their respective Acts, but take different views as to freights. In the hands of the State this difficulty would be got rid of. The whole subject could be dealt with as a whole, and a classification might be made on the simple and reasonable bases of

Objections
to them.

Proposed
classification.

(1) the facility with which each commodity can be carried, and (2) its liability to be damaged. In this way all ordinary commodities might be distributed into the following three classes:—

Class I. **Class I.**—Commodities which are practically undamageable; such as minerals of all kinds, metals in a manufactured state, not being machinery—earth, compost, and other things of a like nature, and timber. This class would include all the existing “mineral” class of the clearing-house classification, almost all the raw material of our staple manufactures, and a large number of commodities now to be found in almost every class of the existing classification, particularly in the special class.

Class II. **Class II.**—Commodities not readily damageable. This would include machinery, manufactured articles (such as hardware), woods (such as dyewoods or furniture woods), and in fact almost all the other heavier articles in the existing classes 1 to 4.

Class III. **Class III.**—Commodities readily damageable or perishable, or which require extra care in loading and unloading.

Suggested single rates. With such a general classification it would, I believe, be possible to adopt the following scale of single rates, even if the returns of 1866 are taken as a basis of calculation.

Class I., any distance, 1s. 8d. per ton.

Class II., any distance, 5s. per ton.

Class III., any distance, 12s. per ton.

The above scale would include covering, shunting, and use of sidings and stations, but would not include collection, loading, unloading, or delivery, which should be charged for, as in Belgium, by separate but clearly defined charges for each class.

It needs few figures to show that it might be safely adopted. The total quantity of commodities of all kinds carried by the railways of England and Wales in 1866 was 104,313,855 tons, of which 71,873,964 tons were included in the Board of Trade returns under the head "Minerals," and the remaining 32,439,891 tons were classed under the single head "General Merchandise." This total divided into the gross receipts, exclusive of live stock (16,998,294*l.*), gives a small fraction more than 3*s.* 4*d.* for each ton carried; or, in other words, if every ton of commodities of every kind, whatever distance carried, had paid 3*s.* 4*d.*, the same gross revenue would have been received that was received in 1866.

Estimates
on which
suggestions
is based.

Of this gross revenue, the 71,873,964 tons of minerals paid 5,962,000*l.*, or a little less than 1*s.* 8*d.* (1*s.* 7·908*d.*) for each ton carried. The 32,439,891 tons of "general merchandise," representing all the other commodities (except live stock and parcels conveyed by passenger trains) not included in the "mineral" class, were carried for 11,036,000*l.*, or a small fraction of 1*d.* more than 6*s.* 9*d.* (6*s.* 9·649*d.*) for each ton carried. There is no means of distinguishing the commodities classed under this head of merchandise into their different

classes according to the clearing-house classification. Nor, if there were, would it afford the means of getting at the proportions of the whole receipts which each class paid, for both the minimum and mileage rates differ widely in the case of articles included under the same class. On some lines I find they rise from 2*s.* 11*d.* to 13*s.* 4*d.* per ton minimum rate, and from 3*d.* to 2*s.* 8*d.* per ton mileage rate.* They are, moreover, liable to constant alteration.

The proportion, however, of heavy goods carried is so large that at least one-tenth of this tonnage would come under Class I. of the new classification, and of the remainder, two-thirds it may be safely assumed would come under Class II. There would therefore be—

			Rate per ton any distance.		Amount of Receipts.
Tons.			s.	d.	£
Class I. ..	75,117,953	..	1	8	6,259,829
Class II. ..	19,463,934	..	5	0	4,865,983
Class III. ..	9,731,967	..	12	0	5,839,179
<u>104,313,854</u>					<u>£16,964,991</u>

The gross receipts (exclusive of live stock) for 1866, (16,998,294*l.*), were only 33,000*l.* more than the amount which would have been received if the above single rates had been used, and those gross receipts included all terminal and incidental charges. It will be observed that the class of live stock has been excluded. The scale of charges for this class of merchandise would of

* Returns of Railway Companies. 'Appendices to 1866 Commission,' vol. ii., pp. 37 and 44-58.

course be dealt with in the same way; and—as has been already shown*—in the hands of the State the present intricate differential rates for parcels might be reduced to a single low rate on the plan of the parcels post, which would be a great public convenience, and yield a large return.

It must not, however, be supposed that the scale given above is put forward as the scale which will be adopted: it is merely offered as a fair estimate, based upon reasonable assumptions, of the rates which might be fixed upon, even if no saving were made in working expenses by central and uniform management. There can be no doubt that in the hands of the Government the rate for fuel and all the bulkier raw materials for our staple manufactures would probably be reduced so low as 1s. per ton.

The first impression created in the minds of those who have not given much attention to the subject, by such a scale of charges as above proposed, will, no doubt, be that the plan is a visionary one. But this impression soon fades away as we realize what these charges really mean. The average cost of carrying passengers has already been fixed (p. 70) at 2s. per train-mile, which left 9,092,000*l.* for the expenses of carrying the minerals and merchandise of 1866 over a mileage in England and Wales of 57,101,223 miles. This gives a fraction over 3s. 2*d.* (3s. 2·21*d.*) per train-mile. At this rate a train carrying 150 tons, of which 100 tons are second

* See pp. 82, 84.

class, and 50 tons are third class goods, for a distance of 300 miles, would realize 20*l.* net profit, if we only put on a terminal of 1*s.* 6*d.* for the second, and 2*s.* for the third class; * whilst, if the distance run were 100 miles, which would of course be far above the average, the train would net nearly 52*l.*† Even commodities of the lowest class would be carried for 118 miles without loss at 1*s.* per ton, with a terminal of 6*d.*; since they would always be carried in full train-loads of at least 250 tons.‡ It is, of course, obvious that the carriage beyond that distance would be at a loss, but any loss would be recouped out of profit earned on short traffic.

* 100 tons at 6 <i>s.</i> 6 <i>d.</i> per ton	£32	10	0
50 " 14 <i>s.</i> 0 <i>d.</i> "	35	0	0
	67	10	0
Deduct working expenses, 300 miles at 3 <i>s.</i> 2 <i>d.</i> per mile, } or just a farthing per ton per mile }	47	10	0
	£20	0	0
† 100 tons at 6 <i>s.</i> 6 <i>d.</i> per ton	£32	10	0
50 " 14 <i>s.</i> 0 <i>d.</i> "	35	0	0
	67	10	0
Deduct working expenses, 100 miles at 3 <i>s.</i> 2 <i>d.</i> per mile	15	16	8
	£51	13	4
‡ 250 tons at 1 <i>s.</i> 6 <i>d.</i> per ton	£18	15	0
Deduct working expenses, 118 miles at 3 <i>s.</i> 2 <i>d.</i> per mile, } or just one-seventh of a penny per ton per mile .. }	18	13	8
	£0	1	9

Mineral trains carry from 200 to 300 tons. Mr. Bidder (Q. 17,011, 1866 Commission) speaks of 500 tons as a manageable train load. But I do not find that such loads are carried as a rule in this country.

I may here direct attention to one striking fact in support of my suggestions. It will be found on examination of the returns made by the railway companies to the 1866 Commission, that the single rates I have suggested, would, in most instances be lower than the minimum rates (including terminal charges or portorage and station accommodation charges) at present charged. The Lancashire and Yorkshire will not carry coal any distance at all for less than 10*d.* a-ton, and a terminal charge of from 3*d.* to 6*d.* per ton. Most of the other commodities classed under "minerals"—iron ore, for instance—they will not carry at all under 1*s.* a-ton, with a terminal charge of from 6*d.* to 1*s.* 6*d.* per ton; and for a single ton they charge as if four tons were carried. The London and North-Western (these instances are taken indiscriminately) charge 5*s.* a-ton for carrying slate slabs or satin-wood, with a portorage and station accommodation charge of from 1*s.* 6*d.* to 2*s.* 6*d.* at each end. The Midland Company will not, as a rule, carry articles in the fifth class of the clearing-house classification—billiard-tables, for example—even the shortest distance, for less than 18*s.* 4*d.* per ton.

Existing
minimum
rates.

There is, of course, an obvious objection to any system of either uniform or single fares and rates, that the short journey pays for the long one. But this objection is more apparent than real. For the passenger who makes a short journey one day makes a long journey the next, and amongst the middle class the proportion of long to short journeys would pretty nearly make up the

The objec-
tion of
inequality.

average. With the poor this would not be the case. The fact that, as a rule, they can only make short journeys is a strong argument in favour of fixing the lower scale of fares, as I propose to do, much lower than the higher. Then, again, the freighter who sends goods ten miles one day would send other goods 300 miles the next. And the consumer who has been charged 5s. a-ton for materials brought a few miles has it returned to him over and over again in the cheaper carriage of all the commodities which come from a distance.

National
gain by
single rates.

But any partial inequality which may be caused by the change would be a small matter compared with the national benefits which would follow the substitution of the tariff I suggest for that which now exists. A single rate would, so far as the expense of railway carriage is concerned, almost equalize the price of coal throughout the country. The fuel of South Wales would be a few miles from the furnaces of Staffordshire, which, one after another, are being blown out for want of coal. Such a scale of fares as I suggest would bring the workman within a few miles of every labour-market in the kingdom. The sea-board would, so far as cost of carriage is concerned, be hard-by every manufactory in England and Wales; and the natural advantages of every district would have an equal opportunity for development.

Objection
that average
of mileage
would be
increased.

There is another objection which may be urged against the estimates upon which I endeavour to show that the proposed tariff may be safely made. Those estimates assume that any increase of traffic will occur

without sensible increase in the present average mileage over which each ton will be carried, and consequently without any increase in the expense of carriage per ton. This assumption, it will be said, is unsound, since the facilities for carriage offered by single rates will lead to a much larger proportionate increase in the carriage of commodities for long distances. I see no reason, however, to suppose that the change would have this effect to any material extent. If, as I have attempted to show, the single rate is about the minimum at which goods, coming under the proposed new classes, are now carried under the existing classification, the obvious tendency of the single rates would no doubt be to keep stationary the traffic within the distances to which the present minimum rates apply, and to extend the traffic above that minimum in the ratio of the increasing distance. But this tendency would be corrected in a great measure by two other counteracting economical forces. In the first place the immense reduction in the indirect taxation—for such it would in effect be—levied for carriage, on all commodities brought from beyond the minimum distance, would afford so sensible a relief to the consumer, that it would make the tax for carriage levied on commodities brought for short distances far less onerous than it now is. The consequence would be that the short-distance traffic, which would be highly lucrative, would be almost as largely stimulated as the long-distance traffic. For, in the second place, there are many important elements of cost beyond that of car-

riage in the shifting of commodities from place to place, and this is more particularly the case with all bulky merchandise which is carried a long distance.

Uniform
fares and
single rates
supported
by Belgian
experience.

Since the above pages were written I have had occasion to test my propositions, both as to passenger fares and goods rates, by a careful comparison with the results afforded by the Belgian tariff—results which are given in the next chapter. That comparison has only strengthened my conviction that the views I have taken are sound. The Belgian tariff for goods and passengers, which is based on the principle of a decreasing mileage rate, has finally disposed of the theory of equal mileage rates, and with its complex nicety of adjustment approaches in effect very nearly to the simpler system of uniform rates in which it must sooner or later end. The principle of uniform rates is the first and most important step towards the larger and more consistent principle of single rates, or, in other words, a uniform tax levied indirectly on the consumer for the carriage by the State of all commodities.

I should be quite contented if this great principle were gradually approached with respect to goods, as it must be with respect to passengers, by the same careful inductive experiments of decreasing mileage rates which have been made in Belgium. For it is too much to expect that so novel and startling a truth as that which is involved in the theory of single rates, will gain acceptance except through such a process.

CHAPTER VI.

THE RESULTS OF STATE OWNERSHIP AND MANAGEMENT
IN BELGIUM.

OCCASIONAL reference has already been made to the Belgian railway system, and a short account of the policy which has been pursued by the Belgian Government will show that on a small scale, State ownership and management have proved eminently successful. For much of the information which enables me to give this account, I am indebted to the Second Report of what has been justly called "one of the best commissions ever constituted,"* and to the interesting article in the 'Quarterly Review' on the Great Railway Monopoly, which has been already quoted from in these pages.

Belgium, a country not much more than one-third of the size of Ireland,† has within its confines nearly 1750 miles of railway. Of this mileage, nearly a third, forming its main lines, was originally constructed, and is now worked, by the State. Most of the railways com-

The Belgian railways.

History of those in the hands of the State.

* 'Saturday Review,' January 16, 1869. 'The Second Report of the Irish Railway Commission.'

† The area of Belgium is 11,267 square miles; that of Ireland, 32,524 square miles.

posing this third have, ever since their construction, in some cases more than thirty years ago, been completely under State management. To the wise forethought and resolution of their late king, the Belgians are indebted for a system of railway communication which is now one of the chief sources of its national prosperity. The State made the main lines under every circumstance of difficulty and discouragement. Whilst they were in course of construction, there was an alarming deficiency of receipts over expenditure. The loss went on increasing till it amounted to 30 millions of francs yearly. "This loss was, however, more apparent than real, being principally occasioned by the payment of interest on unproductive capital whilst the lines were under construction; but by the end of 1852 the State railways were nearly all made and at work, and the tide began to turn,"* till, in 1858, the net profits were $5\frac{1}{2}$ per cent. on the capital expended. In 1860 they rose to $6\frac{1}{2}$, and now they are 7 per cent.

Those in the
hands of
private
companies.

Concessions.

It was not till 1846 that private enterprise undertook the extension of the Belgian railway system by independent companies. These companies constructed a number of lines—some of which, however, have come into the hands of the State—under concessions from the Government. Concessions are grants by the State to corporations of private individuals, of the right to

* "The Great Railway Monopoly," 'Quarterly Review,' October, 1868, p. 361.



construct a line of railway on certain terms. Of these terms the more important generally are, that the whole undertaking shall become the absolute property of the State at a certain fixed date—usually at the expiration of ninety years—subject to carefully-defined provisions as to the redemption price to be paid. It is sometimes agreed that this shall take place as soon as the whole of the subscribed capital has been paid from a redemption fund created out of revenue.* This has been the plan on which almost all the Continental States have originated or extended their railway system. But the State has always retained a large control over the management of the lines which have thus been made by companies composed of private persons. It has taken due care that in no case shall there be competition between rival companies, and has invariably provided that the fares and rates shall be so low as to suit the means of the poorer classes.

Such has been the success of the management by the State in Belgium, that in 1884, according to the present calculations, the net income of the State railways will

Success of
State
manage-
ment.

* In Austria and Russia concessions have been usually granted for a term not exceeding ninety years, the Government guaranteeing a certain minimum rate of interest. At the end of the ninety years the railways of course vest in the State, on payment of the amount fixed for redemption. Some of the later Russian concessions provide for the gradual redemption of the capital by annual drawings of a certain number of shares which are paid off at par. For an interesting account of the way in which the French railway system has grown up, see Mr. Locke's Presidential Address to the Institution of Civil Engineers, vol. xvii. of 'Transactions.'

be sufficient to pay the entire interest of the Belgian national debt.* This calculation, it must be borne in mind, applies only to that part of the railway system which actually belongs to the State, or 535 out of 1744 miles. The remainder of the system, though it will ultimately become State property, is still in the hands of private companies. About 660 miles are worked in groups by two large companies.† One company, the Great Luxembourg, owns and works a line 176 miles long. Six independent companies own and work six small lines, the aggregate mileage of which is only 142 miles; and a mileage of 232 miles is worked by foreign lines.

Demand for
further con-
solidation.

The existing state of things has been brought about by a series of amalgamations which have absorbed a number of small independent lines; and the inconvenience and loss of working the remaining small lines have created a strong feeling in favour of still further consolidation. This has led to a proposition from the Belgian company which at present works the largest mileage‡ of private railway, to lease and work all the State railways. But, in spite of the fact that this company has alone of all the private companies kept pace with the State, and adopted all the reductions

* The existing debt is 28,619,000*l.* But by 1884 it will have been reduced by the action of the sinking fund to much less.—'Stateman's Year Book,' 1869, art. "Belgium," p. 39.

† The General Company for Working Railways has 376½ miles. The Grand Central Company has 282½ miles.

‡ The General Company for Working Railways.

made by the latter in both passenger fares and goods rates, this proposal was received with great disfavour by the Belgian public. They wanted consolidation of a very different kind. "The Government was urged to undertake the immediate purchase of the railways belonging to independent companies in Belgium, so as to vest in the State the property of all the lines, and the exclusive control over their traffic, fares, and charges."*

Nor can there be much surprise, when the facts are known, that the great body of the Belgian people, which has had experience of State management of railways for more than thirty years, should thus call upon their Government to take the whole system into its hands. The management has been conducted with rare ability, on this just principle; "on the one hand to render the railway more accessible to the public, and on the other not to compromise the financial state of the property."† Expressions of opinion by a great officer of State with respect to the organization and conduct of his own special department, must, of course, be always accepted with some reserve. But the statement made by M. Fassiaux, before the Royal Commissioners in 1866, has never in any way or on any point been gainsayed. He may, therefore, be safely assumed to have spoken without any exaggeration, when, on the question whether Belgian experience showed the expediency of the rail-

Why made.

* 'Irish Commission, Second Report,' p. 7.

† 'Statement of Minister of Public Works,' July, 1865. 'Irish Commission, Second Report,' p. 32.

ways belonging to the State, he said, "The experience obtained in Belgium of the working by the State of at least a portion of the railways existing in that country, is entirely in favour of that system. The results are better in a financial point of view, and notwithstanding this superior financial result, the lines worked by the State are those kept in the best order. The working of them gives the greatest satisfaction to the commercial world and to the public in general, as regards regularity of conveyance, cheapness of transit, and comfort of passengers. The State, not being solely guided by the prospect of financial gain, but having constantly in view the interest of the public which it represents, is in a better position than private companies to introduce all desirable improvements, not only as regards the efficient performance of the service, but also as respects the cost of conveyance, without, however, altogether disregarding the increase of revenue which its operations may bring into the public treasury."*

Other advantages of State management.

Apart, however, from the mere economical advantages which would follow, it would be advisable on other grounds that the State should become owner of the whole system. Though no complaints appear to have been made by the private companies in Belgium of the manner in which they are dealt with by the Government, it is obvious that they cannot compete on equal terms with the State administration. This must of course happen, as has been already shown,† wherever the State

* 'Appendices to Evidence,' p. 17.

† Ante, p. 30.

owns or manages a part only of the railway system. But leading Belgian publicists have long felt it to be a serious evil; and it has lately given occasion for grave political uneasiness, which would not have arisen if the State had become the owner of all the private lines.

The essential basis of the reforms introduced, first, with respect to goods, and then with respect to passenger traffic, was the reduction of the mileage rate in proportion to the increase of distance. It is interesting to follow the tentative process by which this principle was reached. In 1856, in spite of an increase of thirty-eight miles of lines worked, the goods traffic was found to have seriously decreased; at the same time offers were being constantly made of new traffic if it could be taken at reduced prices. The administration decided upon accepting this traffic at special rates, though the measure was strongly opposed on the ground of unfairness and preference. The impetus, however, which it gave to goods traffic convinced the administration that the policy of a fixed mileage rate was wrong, and that a regular scale of charges, with reduction according to distance, was right. In 1861 the first scale on this principle was issued, and was made applicable to minerals and raw materials contained in the fourth class. The result was an increase in the following year of more than 72 per cent. in the tonnage of this class of goods. In 1862 this new scale was extended to goods of the next (third) class with like results. In 1864 all commodities were reclassified upon a simple and rational principle, and the

The lowering of the goods rates.

Special rates.

Decreasing mileage rates.

new scale was applied to all goods except those of the first class.*

Effects.

The effects of these changes cannot be better stated than in the words of M. Vanderstichelen, the then Belgian Minister of Public Works. "In short," he says, "in the eight years between 1856 and 1864, the charges on goods have been lowered, on an average, by 28 per cent. ; the public have sent 2,706,000 tons more goods, while they have actually saved more than 800,000*l.* on the cost of carriage, and the public treasury has earned an increased net profit of 231,240*l.*"†

Further reductions.

These results, however, have been exceeded by the results of the further reduction in 1864, which gave a still larger return to the Government. In 1863 the weight of commodities carried was 4,479,000 tons ; in 1866 it had risen to 6,533,000 tons.

Lowering of passenger fares.

In 1865 the Government, having thus successfully dealt with the subject of goods traffic, turned its attention to the second part of the problem of cheap conveyance. It was of opinion, said its able spokesman, "that facility and cheapness in passenger traffic are as productive of advantage to all classes of society, as the economical conveyance of goods can be to the producers and consumers."‡ With the consent of the legislature, it pro-

* The Belgian classification is the converse of ours, the *first class* of goods properly representing the highest, instead of the lowest as with us.

† Statement to the Chamber of Representatives, 'Irish Commission, Second Report,' p. 33.

‡ Ibid.

ceeded to apply to passenger traffic the principles which had succeeded so well when applied to goods traffic. A general scale of fares for passengers was adopted, in which the charge per mile was diminished in proportion to the length of the journey beyond the first 22 miles. Thus, the third class fare is 0·62*d.* for each mile up to 22 miles; from 23 to 25 miles it is 0·56*d.*; from 25 to 28 miles it is 0·52*d.*, and so on by distances of somewhat arbitrary division up to 155 miles, where the mileage fare has come down to 0·23*d.*, or *less than a farthing per mile*. In first-class fares it comes as low as 0·46*d.*, or rather less than a halfpenny per mile for distances beyond 155 miles; and in second-class fares as low as 0·32*d.*, or less than a third of a penny per mile. It should be added that every train carries third-class passengers—even express trains. The express fares are 20 per cent. above the ordinary fares for each class.

Decreasing
mileage
fares.

Third-class
express.

The practical effects of these changes are best shown by the following examples. It costs 3*s.* 9*d.* first class, and 1*s.* 9*d.* third class, to go from London to Windsor. According to the Belgian scale it would cost 2*s.* 3*d.* first class, and 1*s.* 2*d.* third class; this is within the distance (22 miles) where no reductions have been made, and therefore is the least favourable case. But here are some startling illustrations of the reductions which have been made for distances beyond 22 miles. It costs 6*s.* 4*d.* first class, and 2*s.* 11*d.* third class, to go

Examples.

to Reading. If the Belgian scale were in force, it would cost 2s. 8d. first class, and 1s. 4d. third class. It costs 14s. 6d. first class, and 5s. 6d. third class, to go to Bognor. In Belgium it would cost 3s. 8d. first class, and 1s. 6d. third class. Were the Belgian rate in force here, we could travel to Bristol by a first-class carriage for 6s. 4d., instead of having to pay 1l. 1s. 10d.; and if we liked, we might travel by an express train to Swansea for a fraction of a penny more than 4s. 6d., instead of having to pay 1l. 11s. 4d.! The following list, taken from the 'Daily News,' will show in a still more striking manner the advantages afforded by the Belgian fares.

	Miles.	BELGIAN SCALE.				ENGLISH.			
		Ordinary.		Express.		3rd class.			
		s.	d.	s.	d.	s.	d.		
London to Harrow	11½	0	7½	0	8½	0	11½		
„ Windsor	21½	1	2	1	5½	1	9		
„ Bletchley	46½	1	6	1	10	3	10½		
„ Peterborough	76	1	10	2	2½	5	9		
„ Bristol	118½	2	7	3	1	9	10		
„ Crewe	158	3	0	3	7	13	2		
„ Bradford	191					15	10½		
„ Leeds	192½					15	5½		
„ York	191	4	0	4	10	15	10½		
„ Manchester	188½					15	6		
„ Exeter	194	4	0½	4	10½	14	3½		
„ Liverpool	201½	4	2½	5	1	16	9		
„ Newcastle	275½	5	9	6	11	30	0		
„ Carlisle	299½	6	3	7	6	24	2½		
„ Edinburgh	401	8	4	10	0	33	0		
„ Glasgow	406	8	6	10	2	33	0		
„ Aberdeen	542½	10	4	13	7	40	0		

These differences are so great that the writer of the

article from which the list is taken may well say they are "almost incredible." But, as he adds, they are not the mere projects of a reformer. They are in actual operation—and the first and second class fares are proportionately low. The comparison, however, between the third-class fares in Belgium and the third-class fares in England does not by any means represent the advantages afforded by the Belgian system. The comparison ought properly to be made between the Belgian third and the English second class; for the Belgian service has third-class carriages attached to every train, and every facility afforded to first and second class passengers is afforded to the third-class passengers. On all the English railways except those in the suburbs of large towns, there are seldom more than two trains, in many instances there is only one train a-day each way. The through third-class trains on the main lines are always so arranged as to make travelling by them as inconvenient as possible; and the long journeys are so broken or so slow, that as a matter of mere economy it is cheaper to travel second class by quick train. Of the eight direct through-trains which run between London and Bristol daily, only one is a third-class train, and that leaves Paddington at six in the morning. The London and Brighton Company, which treats this great class with more than usual liberality, runs sixteen trains daily direct from London Bridge to Brighton. Of these, four only are

Belgian
third-class
and English
third-class
accommodation.

third-class trains; the first starting at six in the morning, the last at six in the evening. Two of these trains take more than three hours for the journey, whilst the express trains make it in little more than an hour.

The Belgian reductions, made on a decreasing mileage scale, are substantially an adoption of the principle of uniform fares, without the great practical advantages which would be gained, as I have before pointed out, by adopting the principle in its integrity. The difference in the Belgian scale between 25 and 28 miles is only 1*d.* third class, and between 25 and 40 is only 3*d.* It would be infinitely simpler to adopt some such scale as I have given in a previous chapter. Indeed it would seem that this plan has been to some extent adopted by some of the private companies in Belgium.* With one exception, however, the private companies declined to adopt the reduced scale of fares adopted by the State; that exception is the General Company for Working Railways, which adopted and still adheres to the State fares.

The defect
in the Bel-
gian experi-
ment.

But in carrying out its plan for the reduction of passenger fares the Belgian Government made a grave mistake. The law of July, 1865, authorized the Executive to make considerable reductions in the mileage fares, for *all* distances. Those who prepared the new scale began the reductions at 22 miles; for all

* 'Irish Commission, Appendices to Second Report,' p. 39.

distances under 22 miles the fares remained at the original mileage rate.

If, instead of lowering the long-distance fares alone, the short-distance fares had been sensibly lowered at the same time, the whole traffic would, no doubt, have been immensely increased at a very slight increase of the working expenditure. But the effect of the experiment as tried has been, that whilst the long-distance traffic, which is always least paying, nearly doubled, the traffic within the shortest circle (22 miles) scarcely increased at all, and that within the second circle (46 miles), where the reduction was comparatively small, only increased 20 per cent.*

But, whatever may have been the defects in the scheme for reducing the passenger fares, the Belgian administration has shown singular judgment and sagacity in dealing with the other branch of railway traffic. By a series of well-considered changes in its goods classification and tariff, it has well nigh realized, to use the words of one of its State papers, "The essential mission of railways, that, namely, of reducing the inconveniences of distance, of spreading abroad the essential articles of industry, and of bringing, so to speak, the most distant consumers near to our centres of production."† The net profits of the State railway system

Reductions
in goods
traffic rates.

* 'Irish Railway Commission, Second Report,' p. 14.

† Report to the Chamber of Representatives, February 22, 1868, quoted in 'Irish Commission, Second Report,' p. 35.

rose from a minimum of 67,009*l.* in 1856, to 374,485*l.* in 1864; at the same time that the charges for goods were reduced, for distances above 46 miles, from 20 to 60 per cent. on the first or highest class of goods, and from 50 to 83 per cent. on the three other classes.

Examples. The extent of these reductions will be best understood by the following examples:—

Silk. The charge for carrying raw silk from Derby to Manchester (69 miles) is 2*l.* 10*s.* per ton: according to the Belgian rate it would be 9*s.* 3*d.* From Derby to Glasgow (275 miles) the rate is 5*l.*: according to the Belgian rate it would be 1*l.* 1*s.*

Groceries. The charge for carrying groceries between London and Bristol is 23*s.* 4*d.* per ton. In Belgium it would be 13*s.* 9*d.*

Sugar. The cost of carriage for sugar from Liverpool to Worcester (100 miles) is 16*s.* 8*d.* per ton. In Belgium it would be 12*s.* 1*d.*

Butter. Butter is carried from Liverpool to Manchester (32 miles) at the rate of 10*s.* per ton: according to the Belgian tariff it would only be 4*s.* 10*d.*

Ale. From Burton-on-Trent to Winchester (194 miles) the charge for ale is 26*s.* 8*d.* per ton. In Belgium it would be 17*s.* 6*d.* To Newport (136 miles) the charge is 21*s.* 8*d.* per ton. By the Belgian tariff it would be 14*s.* 6*d.*

Timber. But it is the bulkier commodities which have gained most by the change.

The cost of carrying a ton of timber or deals from Liverpool to Dewsbury ($65\frac{1}{2}$ miles) is 12s. 6d. If we had the Belgian tariff it would only cost 5s. The cost of carrying a ton of timber from Liverpool to Manchester ($31\frac{1}{2}$ miles) is 8s. In Belgium it would be only 3s. 1d. From Liverpool to Stockport (38 miles) the charge is 10s. per ton. The Belgian charge would be only 3s. 8d.

Bar-iron is carried from Wolverhampton to South-	Bar-iron.
ampton (152 miles) at a cost of 19s. 2d.: in Belgium it	
would be carried for 9s. a ton. Pig-iron can only be	Pig-iron.
brought from Wolverhampton to London (126 miles)	
at an expense of 15s.: according to the Belgian scale	
it should be 6s. Between London and Bristol the	Hardware.
rates for hardware are 27s. 6d. a ton: on the Belgian	
scale they would be 13s. 6d. The manufacturers of	Earthen-
earthenware at the potteries have to pay at the rate	ware.
of 30s. per ton for the carriage of their goods to London	
(150 miles): the Belgian railways would carry them for	
9s. Grain is charged 12s. 6d. a ton from Liverpool to	Grain.
Sheffield (74 miles): the Belgian rate would be 6s. 11d.	
The London and North-Western would charge 1 <i>l.</i> 19s. 6d.	
at least per ton for carrying furniture from London to	Furniture.
Crewe (158 miles); they would also charge from 3s.	
to 5s. per ton for station accommodation at each end;	
for collection in London they would probably charge at	
least 7s. a ton; for delivery in the country they would	
not charge less than 3s.: the total expense of carriage	

would therefore be about 2*l.* 13*s.* 6*d.* per ton.* In Belgium the charge would be 19*s.* 1*d.*†

Uniformity
of Belgian
scale.

It is needless to multiply examples such as these. I would only add that they are taken, without any selection, from the English rates, and are fair cases. The Belgian cases cannot be selected; for the charges are based on one uniform scale. The terms upon which goods will be carried are clearly laid down in the Goods Traffic Regulations. These regulations apply to all freights, and all extra charges are distinctly specified.‡

* The whole of the rates on English railways are taken from the returns made by the various companies to the Commission of 1866 ('Appendices,' vol. ii.), or from the examples extracted by the Commissioners from those returns ('Appendices,' vol. i., E, G). The returns themselves are made studiously general. For instance, "Furniture" is classed in the fifth class of the English clearing-house classification; and the mileage rate for *all* the articles in this and the fifth class—268 in number—is returned by the London and North-Western at from 3*d.* to 3½*d.* per ton for all distances above six miles.

						<i>s.</i>	<i>d.</i>	
†	Booking	..	..	..	..	0	1·92	
	Collection	..	..	..	..	1	2·40	
	Mileage	..	..	..	..	14	11·48	
	Fixed or terminal charge	..	..	..	..	0	9·60	} per ton.
	Loading and unloading	..	..	..	..	0	9·60	
	Delivery	..	..	..	..	1	2·40	
						19	1·40	

Special arrangements are, however, made by the administration for the conveyance of furniture in special vans when it is sent in any quantity (Goods Traffic Regulations, Section 6, in 'Appendices to Irish Railway Commission, Second Report').

‡ There are, however, special scales for coal sent from the different coal-fields for immediate exportation by sea; and a special scale by which the staple manufactures may, under certain conditions, be sent for exportation at reduced rates. See 'Goods Traffic Regulations,' Article 13. 'Irish Railway Commission, Second Report,' p. 50.

For instance, the terminal charge for goods is fixed at 9·60*d.* per ton. A fee of 2*d.* is charged for each consignment. These are the only extra charges which are compulsory. But the administration undertake the collection and delivery anywhere in general in the suburbs of all towns, and within a radius of two miles from every station: for this the charge is at the rate of 1*s.* 2·40*d.* per ton for each operation. The loading and unloading of goods is also done by the administration, if required, at a charge of 9·60*d.* per ton for both operations. On our railways the charges for these extra services, as well as the terminal charges, are, as has been explained, in the discretion of each company, never stated, and vary in the most arbitrary manner. The lowest rate is greatly above the Belgian scale. The terminal charge in Belgium is never more than 9·60*d.*: on no English railway is it less than 1*s.*,* even for the lowest class of goods; whilst, under the name of portage and station accommodation, it varies from 3*s.* to 17*s.* per ton for goods of the other six classes.

Terminal
charge.

Loading and
unloading.

The big Blue-books published by the Commissioners of 1866 are full of protests and memorials from the merchants and brokers of London and the great provincial towns, which set forth the inequalities and anomalies of the existing tariffs, the injury done by them to commerce, the decline of great staples which they are causing. Surely, with this startling and suggestive example before them of low and yet most productive rates,

* Except under special arrangement in the case of minerals.

which increase the productive power of the country, and still yield ample returns to the State, our manufacturers and merchants will not allow things to remain as they are.

Gain to the
consumer.

Nor is the producer only affected by the present high tariffs; the consumer is quite as much interested in any change which will lessen the cost of transport. An average reduction of 1s. per ton in the cost of the carriage of all commodities sent by rail in this kingdom during one year would be a gain to the country of nearly five millions and a quarter; a gain which would be shared by those who sell and those who buy.

Cost of
Belgian and
English
lines.

There remains but one point to be considered in connection with this subject—a point which appears to have escaped the notice of the Irish Railway Commissioners. The capital invested forms an important element in deciding what tariff can be adopted, and it may be objected that the cheap construction of the Belgian lines enables the administration to work them at a much lower rate than could be adopted on the English railways. “Everybody knows,” says Mr. Eborall, before the 1866 Commission, “that the railways in England have cost more than twice the money that the French railways and the Belgian State railways have cost.”* Now this statement, though quite correct if the cost of the Belgian State railway system is compared with that of a line like the South-Eastern, which cost 57,000*l.* a mile, is just as incorrect if the comparison be made

* Q. 16,183.

—as it must be made, for the purpose of the present inquiry—between the cost of the Belgian State railway system and the cost of the railway system of the United Kingdom. The railway system of England and Wales has cost 41,000*l.* per mile, but that of the United Kingdom has only cost 30,000*l.* per mile. Mr. Eborall, who gives the cost of the Belgian State railway system at 19,000*l.* per mile, has probably been misled by the memorandum of M. Fassiaux, in an Appendix (M) to the Report of the 1866 Commission, where that gentleman puts the expense of constructing the State railways at 11,252*l.* per kilomètre, or 18,125*l.* per English mile. This return, however, only included the bare cost of construction. In another paper* he makes an amended return, which includes equipment and all other expenses. According to this return, the State system has cost nearly 24,000*l.*† per English mile.

There remains, however, a formidable balance of more than 6000*l.* per mile against us. But to meet this we have a manufacturing industry which is still far more productive and expansive than that of any other country in the world, and we have a population which, though not quite so dense as that of Belgium, is far more disposed to move from place to place—far less anxious to save a penny here and there. In spite of its reduced tariff the Belgian State railway system, during the year ending April 30th, 1868, only carried 23,607 passengers for each of its 535 miles of railway, as against nearly

* Appendix O O, vol. i., p. 292.

† 23,917*l.*

20,000 * carried during 1866 for each of the 13,854 miles of railway in the United Kingdom; whilst in England and Wales during that year more passengers were actually carried per mile of railway at our exorbitant tariffs than were carried in 1868 on the railways of the Belgian Government at their low fares. So also with respect to goods. In the year 1866, after several years' development of their traffic by the present low rates, the Belgian State lines only carried 12,211 tons of goods per mile as against 8959 tons per mile carried during the same year on the whole mileage of the United Kingdom, and 10,721 tons on the mileage in England and Wales.† These striking facts make it quite evident that the difference in cost of construction would, under State ownership and central management, be more than counterbalanced by the far greater elasticity both of passenger and goods traffic which exists in this country, and leave unimpeached the accuracy of the estimates and calculations upon which I have based my proposals for uniform fares and single rates.

* 19,797.

† The number of passengers carried on the Belgian State railways during the year ending 30th April, 1868, was 12,630,945 ('Irish Railway Commission,' Table E E, p. 28). The number of passengers carried in the United Kingdom during 1866 was 274,293,668; in England and Wales, 238,137,282. The goods carried in 1866 on the whole railway system of Great Britain and Ireland were 124,133,382 tons; in England and Wales, 104,313,855 tons; on the Belgian State railways, 6,533,040 tons ('Irish Railway Commission Report,' Table N, p. 19).

CHAPTER VII.

PROBABLE RESULTS OF STATE OWNERSHIP AND
MANAGEMENT IN IRELAND.

SINCE the main part of this little work was first printed in the 'Daily News,' the Irish Railway Commissioners have issued their Second Report. The scope of their instructions and the nature of their duties precluded them from expressing any mere opinions. With strict but most able fidelity they confined themselves to the task of applying the scale of rates and fares in force in Belgium, and calculating the results which would follow if the State were to become the purchaser on the terms indicated in their first report.

Irish railway Commission,
Its Second Report.

It is in some respects unlucky that the first experiment of State appropriation in this kingdom should be made upon a branch of the system which offers so many unfavourable conditions as the Irish railway system does. The commissioners point out that the state of Ireland presents a rather disheartening contrast to that of Belgium. Leaving on one side the sad political and social difficulties of the former, they show how differently the two countries are situated as regards

Unfavourable conditions.

trade and manufactures. "Belgium has a large transit trade to Germany, and other parts of the Continent, the estimated value of the merchandise so carried being annually 24,000,000*l.*, whilst the transit trade of Ireland is entirely limited to mails and passengers, and is of small extent." Then, again, Belgium has a commanding advantage in the raw material of manufactures, its coal produce being ninety-six times, its iron produce forty times that of Ireland. The stimulus thus afforded to its industrial activity has led to a large increase of the Belgian population during the last twenty years, whilst that of Ireland has fallen more than two millions and a half* during the same period. Belgium, the most thickly-peopled country in Europe, is crowded with a population of 442 persons to each of its eleven thousand and odd square miles of area, whilst the much larger area of Ireland† has only a population of 171 to each square mile. The only advantage which Ireland has over Belgium is its shipping trade, and this, as far as coasting vessels are concerned, deprives the railways of a certain amount of traffic.‡ To crown all these disadvantages, it appears that Belgium in 1865, with 447 fewer miles of railway than Ireland had in 1866, carried nearly 6½ millions more passengers§ than were carried

* 2,639,401.

† 32,524 square miles.

‡ 'Irish Commission, Second Report,' p. 17.

§ 'Second Report,' p. 17.	Belgian passengers	..	19,487,211
	Irish	..	13,074,017
			6,413,194

on the Irish railways, and that the goods and mineral traffic in Belgium is more than six times as great as that of Ireland.

Yet, in the face of all these discouraging facts, the commissioners, after an exhaustive inquiry into the differences between the fares and rates of Belgium and Ireland, state it to be their opinion (1) That there should be a reduction of 31, 45, and 42 per cent. in the mileage fares of the first, second, and third class passengers, which should be applicable to all distances alike; (2) That a proportionate reduction should be made in the charges for parcels, horses, and small packages carried by passenger trains; (3) That reductions of from 47 to 78 per cent. should be made in the minimum charges for goods; and (4) That the tonnage rates should be reduced for all distances beyond the minimum from 55 to 64 per cent.

Proposed reductions.

Passengers.

Parcels.

Goods.

The reductions thus proposed, though they are not framed on the gradually decreasing mileage scale adopted in Belgium, and leave both tariffs still very much higher than the Belgian tariffs, would certainly be much lower than any now in force in this country. Between Dublin and Galway (126 miles), the first-class passenger who now pays 1*l.* 2*s.* would only pay 13*s.* 1*d.*, the second-class passenger instead of 17*s.* 6*d.* would only pay 7*s.* 10*d.*, and the third-class passenger instead of 10*s.* 3*d.* would only pay 5*s.* 3*d.* From Waterford to Limerick (77 miles), the traveller would go first class for 6*s.* instead of 14*s.*, second class for

Examples.

4s. 10d. instead of 11s., and third class for 1s. 7d. instead of 6s. 5d. Applied to English railways, it would allow a passenger to travel from London to Swansea first class for 22s. 6d. instead of 1*l.* 18s.; for 15s. 2d. second class instead of 1*l.* 8s.; and for 9s. third class instead of 18s.

It is, I think, deeply to be regretted that the commissioners could not see their way to the simple plan of a uniform scale of fares, or at all events to the plan of a decreasing mileage rate. But it would be unjust to them to read their report as if they were dealing with the whole of our railway system. They were dealing exclusively with a branch only of that system, a branch which lies in a country severed from the rest of the empire, and the condition of which would hardly justify the adoption even of the Belgian tariff. Bearing this fact in mind, it is most satisfactory to find that they have made so large a stride forwards. They state that, in their opinion, the reductions they suggest "would create such a large increase of traffic as would confer a great boon on the public using the railways, and largely develop the general industry of the country," and then proceed to show what would be the probable results of the change.

Estimated
results.
Immediate
loss.

They calculate that, in spite of increased traffic, the decrease in the receipts will amount to what they justly term the startling sum of 645,701*l.* on the present income of 1,726,444*l.* The bases of this calculation are not given by the commissioners, and it certainly seems

larger than might be expected, even in Ireland. It may be fairly assumed from the experience of Belgium that the whole of the passenger traffic will increase 50 per cent. *at once* for all distances. This increase of traffic may be effected with little or no increase of working expenditure; and as the reductions in mileage fares in no case reach 50 per cent. upon the existing fares, the item of 407,606*l.* falling off in passenger, mails, and parcels receipts, seems a higher estimate than should reasonably have been made, even by men who are naturally anxious to err on the cautious side.

But, in spite of this over-cautious estimate of the immediate loss, the report goes on to show that the results must be such as to justify the appropriation of the system. The commissioners point out that a saving of 88,000*l.* a-year will be effected by a reduction in the rate of interest on borrowed money and floating liabilities, and they estimate that there will be a saving of 32,000*l.* a-year by concentration of management and the more profitable use of the rolling stock. The last figure indicates in a strong manner the cautious way in which the commissioners have dealt with what is matter of mere estimate; for the late Mr. Dargan estimated the saving at 130,000*l.*, and Mr. Forbes, who was for ten years traffic manager of the Midland Great Western, estimated it at about 120,000*l.* per annum.* The commissioners have, of course, assumed that a considerable and immediate increase would take place

Gradual
recovery.

Saving.

* 'Commission of 1866,' QQ. 5530, 5562. 1868.

in both passenger and goods traffic ; and the scrupulous care with which their inquiries have been made is shown by the fact that, in the prospective calculation on which these opinions are based, they have charged to the revenue of each year, after the first twelve months, the yearly sum which will be necessary to provide the additional rolling stock, station and siding accommodation, required to meet this increased traffic. Yet, after making all these allowances, they say that at the expiration of eleven years the receipts from the increased traffic will be sufficient not only to pay all working charges, the cost of the increased rolling stock, and other accommodation, the interest on the money borrowed to buy the railway system, and the interest on the sums advanced to meet all the losses incurred during the eleven years, but that there will be a balance of profit left for the exchequer.*

Duty of the
State.

There can be but one opinion as to the course which should be pursued by the Government, to which such a report has been made. Having regard to the present condition of Ireland, it would be throwing away a great opportunity if it did not at once proceed to act upon it. The commissioners, all men of great ability and large experience, and two of them well known to have entered upon their duties with views rather opposed to the plan of Governmental administration, have arrived by a series of exhaustive inquiries and exact calculations at the conclusion that the State can appropriate this most

* 'Report,' p. 25.

unpromising branch of our railway system, not only without any risk of ultimate loss, but with the absolute certainty of its becoming a paying property within a comparatively short time. It was not, as they justly observe, "within the spirit of their instructions to speculate upon the degree of material prosperity which would be given to Ireland by the adoption of a great reduction of rates and charges, and a concentration of management." But they only did their simple duty when they drew attention to the fact that, even if their moderate anticipations of the increase of traffic resulting from the reduction be realized, the public "would pay for such increased traffic during a period of twelve years the sum of 12,000,000*l.* less than they would have paid at the existing rates ;" whilst, instead of this immense advantage "being obtained by means of any permanent sacrifice on the part of the State, a clear profit of 50,000*l.* would be secured in the twelfth year, after payment of working charges, cost of increased accommodation and additional rolling stock, and interest on all capital previously advanced, and a profit of 90,000*l.* in the thirteenth year." It would be unfair to the commissioners not to add their reasonable qualification of a report which gives, as they say, "such vast results,"* that "calculations of this nature are subject to disturbance from unusual or unexpected circumstances. But," they conclude, "having obtained the best and most accurate information in our power, and

* 'Report,' p. 26.

having brought our own experience to bear upon the questions submitted to us, we do not hesitate in giving our opinion that such results may be fairly expected to follow the suggested alterations."

The need of
State help
in Ireland.

The responsibility which is cast upon the Government by such a report as this is made all the heavier by the fact that the benefits which it shows to be the inevitable consequence of State appropriation can never be afforded to the public in any other way. It is clear from the evidence given before the Commission of 1866, and from the remarks of the last commissioners, that without State aid the Irish railways can never recover from their financial embarrassment, and that without central management no such reductions as are suggested can ever be effected. "In the present state of their credit and finances," say the Commissioners of 1868, in concluding their First Report,* "the companies could not afford to run the risk of a period of diminished profit for the chance of any ultimate advantage." This can scarcely be wondered at when we find from Mr. Monsell, in his separate report in 1866, that "of these railways two are bankrupt, two at a stand-still, six have paid no dividend on some class of their preference stock for the last three years, ten have paid no dividend on their ordinary shares, seven have paid a percentage of dividend less than the Funds, two of this number have paid less than one per cent., six have paid more than the Funds but less than commercial interest, and the

* P. 18.

shares of each of them are below par."* Mr. Monsell's able and exhaustive summary of the evidence given before the Commissioners of 1866 brings before us in a startling manner the grave evils of the existing state of things. Fifty-six lines of railways, with an average length of forty-eight miles only, very many not ten miles long, yet most of them with a separate Board, are served by 430 directors, 56 solicitors, 56 secretaries, and upwards of 70 engineers. The main defects which he points out in the existing system may be briefly sketched in a few sentences. It is a system under which, in a country poorer than any in Europe, the third-class passengers are charged the same fares as the rich are charged in Germany, and higher than the rich are charged in Belgium; so that the quick and easy transport of labour from one market to another is effectually prevented, and the chairman of its largest company but one† says, "I have often seen men walking past my gates in clusters of twenty or thirty, and hiring one of the cars of the country for eight or ten Irish miles." It is a system which depresses still further a country struggling with all the disadvantages of long political and social depression, by such a scale of fares and rates as makes the internal carriage by rail of the necessities of life, of fuel, of corn, of farm produce, of cattle, almost prohibitory, and their export

* P. 93. Quoting the evidence of Mr. J. D. Melton, Q. 6735. See also the elaborate Table prepared by Dr. W. Neilson Hancock, Appendix A Z to Report of 1866.

† The Midland Great Western. 'Evidence Commission of 1866,' Q. 4018.

on fairly remunerative terms impossible. It is a system which obliges the owners of sulphur, zinc, iron mines, to leave them unworked, and which renders fine fisheries teeming with fish almost useless, because facilities for the carriage of fish in small parcels are refused. It is a system of independent management by small companies having, or believing they have, antagonistic interests, whose Boards and officials will rarely agree upon any unity of action, or equality of fares, or mutual accommodation.

“The Irish people,” says Mr. Monsell,[†] “feel so dissatisfied with the present system, and so convinced that the removal of these evils would lead to the development of the resources of Ireland, and to the material improvement of her population, that they have in various public meetings expressed their willingness to have any loss, which a new system at its commencement must entail, borne by Ireland.”* It would seem, however, that since the action of the Government indicated a distinct intention to appropriate the system, the Irish agitation has changed its character; and, whilst popular feeling is still as much as ever in favour of the transfer, “the Irish companies have been judiciously cooling down the ardour with which they have sought absorption into the State.” They probably are, as the *Saturday Reviewer* suggests,[†] “very willing to become unwilling sellers.” But for the reasons he points out, this studied attitude of reluctance will not do them much

* ‘Report,’ p. 102.

† ‘Saturday Review,’ January 16, 1869.

service. The value of the property has been ascertained with the greatest exactness, and, with such a valuation before it, Parliament would not sanction any scheme for purchase which was not based upon it. Taken, however, at the valuation of the commissioners, the shareholders will certainly get more for their property than it will ever be worth if kept in their own hands. If this fact could only be brought plainly before the owners of shares, there would be little difficulty in bringing about a transfer by means of voluntary negotiation. But the danger, nay, the certainty is, that small bodies of adroit and interested men may render it impossible to carry out such a negotiation upon any fair terms. This course is open to all the objections to any voluntary purchase by the State, which have already been pointed out, and may be again stated in one sentence of Mr. Monsell's Report. "The process would be necessarily slow, and would enable companies that held back to extort much more than the real value of their properties."* Under these circumstances, the duty of the Government is clear. In answer to appeals from all interests and classes, including the railway companies themselves, it has come forward and dealt with the subject in a business-like way. At a large expense and with immense labour it has obtained a reliable and liberal estimate of the value of this system. It has done this on the distinct admission by the companies themselves that they are monopolies which have entirely

* 'Mr. Monsell's Report,' p. ciii.

failed to carry out the object for which they were created, "annihilating other means of transport, but not developing or efficiently conducting the transport of the country." It has had no desire to purchase, and has only entertained the idea at the earnest entreaty of the Irish people; and it is therefore fairly entitled to say that the railway companies shall not be left free to play fast and loose in the face of the deliberate reports of the commissioners. If the matter is to be fairly and effectually dealt with, it must be dealt with as Mr. Monsell suggests, by one compulsory act, and that act, subject of course to fair precautions for guarding against errors of calculation, must, for the purpose of fixing the amount of purchase money in each case, assume the returns of the last Commission to be correct.

It is not within my province here to consider how far the dis-establishment of its existing State religion will prove a blessing to Ireland. It stands first on the programme of duties to be performed to that part of the kingdom, because it involves questions of greater importance than those which are purely economic. But that duty once done, and the vexed question of land tenure settled, the next in order and importance will be that of lifting the railway system out of its present hopeless state—of making it, as it should be, a means for finding a ready market for labour and for commodities, a stimulus to productive industry and enterprise, and the most powerful of all material forces for regenerating Ireland.

APPENDIX,

CONTAINING THE TABLES REFERRED TO IN CHAPTER II.

TABLE A.

LINES PAYING £4 PER CENT. AND OVER.

RAILWAY.	Paid-up Ordinary Capital.	Average Dividend, 1864-5-6.	Value at 25 years' Purchase.
	£	£ s. d.	£
Blyth and Tyne	283,000	9 15 0	689,812
Bristol and Exeter	2,022,000	4 12 6	2,337,937
Buckley	28,000	5 0 0	35,000
Furness	532,000	10 0 0	1,330,000
	313,000	5 0 0	391,250
	25,000	5 9 5	34,187
	10,000	2 10 0	6,250
Great Northern	7,092,000	6 18 4	12,269,160
Horncastle	47,000	5 8 4	63,567
Lancashire and Yorkshire ..	12,093,000	6 3 4	18,623,220
Landport	9,000	5 0 0	11,250
Liskeard and Caradon	19,000	5 0 0	23,750
Liskeard and Looe	15,000	5 0 0	18,750
London and North-Western	29,021,000	6 9 2	46,868,915
London and South-Western	7,767,000	4 15 0	9,223,312
London and Tilbury	651,000	6 0 0	975,000
Lynn and Hunstanton	60,000	5 11 8	83,700
Maryport and Carlisle	259,000	9 15 0	628,875
Metropolitan	3,559,000	6 15 0	6,005,812
Metropolitan and St. John's)	298,000	{ Say }	372,500
Wood		{ 5 0 0 }	
Metropolitan District	1,508,000	{ Say }	1,885,000
		{ 5 0 0 }	
Carried forward	£65,611,000		£101,877,247

TABLE A—continued.

RAILWAY.	Paid-up Ordinary Capital.	Average Dividend, 1864-5-6.	Value at 25 years' Purchase.
	£	£ s. d.	£
Brought forward	65,611,000		101,877,247
Midland	11,302,000	6 15 0	19,072,125
	978,000	5 7 6	1,314,000
Monmouthshire	720,000	6 5 0	1,125,000
Much Wenlock	23,000	4 10 0	25,875
North and South-Western Junction	90,000	5 15 0	129,375
North-Eastern	1,963,000	8 10 10	4,188,870
	1,305,000	7 14 2	2,515,387
	8,011,000	5 17 6	11,756,142
	3,220,000	5 7 6	4,322,850
	1,394,000	3 10 5	1,226,720
	50,000	3 3 4	39,500
Forfeited Shares	159,000		
	62,000		
North London	1,587,000	5 18 4	2,344,792
North Staffordshire	3,200,000	4 5 0	3,400,000
Pembroke and Tenby	75,000	5 0 0	93,750
Shrewsbury and Hereford ..	577,000	6 0 0	868,500
Sirhowy	105,000	9 18 4	260,137
South Wales Mineral	55,000	5 10 0	75,625
Taff Vale	954,000	9 13 4	2,303,910
Vale of Clwyd	60,000	5 0 0	75,000
Victoria Station	225,000	6 10 0	365,625
West Somerset Mineral	33,000	5 0 0	40,000
Whitehaven, Cleator, and Egremont	215,000	10 10 0	561,750
	£101,974,000		£157,982,180

TABLE B.

LINES PAYING LESS THAN £4 PER CENT.

RAILWAY.	Paid-up Ordinary Capital.	Average Dividend, 1864-5-6.	Value at 25 years' Purchase.
	£	£ s. d.	£
Blackpool and Lytham	45,000	2 10 0	28,125
Bristol Port and Pier	123,000	2 13 0	81,487
Cockermouth, Keswick, and Penrith	233,000	1 10 0	87,375
Great Northern (worked by) Ramsey	30,000	1 0 0	7,500
Great Western	8,180,000	Decimal. { 2·10 1·98 3·6576 1·23 0·9941 3·25	4,294,500
	16,000		7,920
	188,000		171,907
	1,401,000		430,500
	541,000		134,203
	2,426,000		1,971,125
Great Western : lines worked by—			
Berks and Hants	108,000	1 10 0	40,500
Bourton-on-the-Water	30,000	1 12 0	11,600
Coleford, Monmouth, & Usk	150,000	2 15 10	104,625
Llangollen and Corwen	87,000	2 10 0	54,375
Tenbury and Bewdley	104,000	2 10 0	65,000
Vale of Llangollen	45,000	2 10 0	27,500
Llanelli Dock and Railway	200,000	3 6 0	164,175
Vale of Towy	50,000	2 16 8	35,375
Manchester, Sheffield, and Lincoln	4,563,000	2 9 2	2,806,245
Rhymney	191,000	2 16 8	134,425
Salisbury Railway & Market	12,000	3 10 0	10,500
South Devon	1,498,000	2 11 8	966,210
South-Eastern	8,009,000	3 16 3	7,647,640
Swansea Vale	130,000	1 6 8	43,225
Tenbury	25,000	2 10 0	15,000
West Cornwall	347,000	2 12 6	226,630
West - Riding Junction, Fleetwood, Preston, &c. }	207,000	1 10 0	77,625
	£28,939,000		£19,645,292

TABLE C.

Lines Leased to other Dividend-paying Lines, treated as
Preference Shares Redeemable at £4 per Cent.

RAILWAY.	Ordinary Capital Paid up.	Rate of Dividend for 1866.			Value at £4 per Cent.
	£	£	s.	d.	£
Birkenhead (leased to G. W. and L. and N.-W.) .. }	1,941,000	4	0	0	1,941,000
<i>Great Eastern :</i>					
Colchester and Stour Valley	229,000	3	8	0	193,800
London and Blackwall ..	1,453,000	4	10	0	1,633,500
<i>Great Northern :</i>					
Nottingham and Grantham (purchasable by G. N. R., at par) }	1,014,000	..			1,014,000
Royston and Hitchin ..	267,000	6	0	0	399,000
<i>Great Western :</i>					
Ely Valley }	83,000	5	0	0	103,750
Gloucester and Dean Forest	254,000	5	5	0	333,375
Great Western and Brent- ford }	96,000	2	5	0	53,437
Hereford, Ross, and Glou- cester }	213,000	3	0	0	159,000
Leominster and Kington (redeemable at 5l.) .. }	59,000	4	0	0	59,000
Nantwich and Market Drayton }	98,000	4	10	0	109,125
Severn Valley (redeemable for amount paid for shares) }	361,000	4	0	0	361,000
Stourbridge }	94,000	4	0	0	94,000
Stratford-on-Avon }	64,000	4	15	0	76,000
Wellington and Severn ..	60,000	5	0	0	73,750
<i>Lancashire and Yorkshire :</i>					
Preston and Wyre	708,000	7	0	0	1,239,000
<i>London and North-Western :</i>					
Birmingham, Wolverham- pton, and Stourbridge .. }	528,000	4	5	0	559,937
Buckinghamshire	1,245,000	4	0	0	1,245,000
Cannock Mineral	108,000	3	5	0	87,750
Chester and Holyhead ..	2,100,000	2	10	0	1,312,500
Cromford and High Peak	128,000		9	6	14,922
Kendal and Windermere ..	112,000	3	0	0	83,250
Knighton }	52,000	4	10	0	58,500
Carried forward	£11,267,000				£11,204,596

TABLE C—continued.

RAILWAY.	Ordinary Capital paid up.	Rate of Dividend for 1866.	Value at £4 per cent.
	£	£ s. d.	£
Brought forward	11,267,000		11,204,596
<i>London and North-Western:</i>			
Lancaster and Carlisle ..	2,420,000	10 17 6	6,576,350
Shropshire Union	1,218,000	3 4 0	973,600
South Leicestershire	175,000	4 10 0	1,257,750
South Staffordshire	945,000	4 10 0	
<i>London and South-Western:</i>			
Portsmouth	350,000	1 0 0	87,250
Exeter and Crediton	70,000	4 0 0	70,000
Lymington	22,000	1 5 0	6875
Salisbury and Yeovil ..	327,000	6 10 0	529,750
Staines and Wokingham ..	251,000	2 4 0	138,050
Weymouth and Portland ..	75,000	3 0 0	56,250
<i>London and Brighton:</i>			
Bognor	25,000	4 10 0	27,000
Wimbledon and Croydon ..	45,000	4 0 0	45,000
<i>Manchester, Sheffield, and Lincoln:</i>			
South Yorkshire	696,000	5 0 0	868,750
<i>Midland:</i>			
Manchester, Buxton, &c. ..	436,000	2 9 0	267,050
North-Western	785,000	3 10 0	686,875
Redditch	35,000	4 0 0	35,000
<i>North-Eastern:</i>			
Great North of England ..	42,000	3 0 0	30,750
Hull and Selby	700,000	9 9 0	1,653,750
Northern Union (leased to Lane. and Yorkshire and L. and North-Western) }	739,000	8 16 0	1,625,800
<i>South-Eastern:</i>			
Reading, Guildford, and Reigate	800,000	5 2 6	1,025,000
London and Greenwich ..	550,000	2 15 0	378,125
<i>Taff Vale:</i>			
Aberdare	50,000	10 0 0	125,000
Dare Valley	33,000	6 0 0	49,500
Llantrissant and Taff Vale	40,000	5 0 0	50,000
Penarth	289,000	4 0 0	289,000
	£22,385,000		£28,057,071

TABLE D.

SHOWING THE AMOUNT OF PREFERENCE STOCK ON WHICH DIVIDENDS WERE PAID IN 1866; THE RATES OF DIVIDEND; AND THE SUM FOR WHICH THE WHOLE MIGHT BE REDEEMED AT £4 PER CENT.

Amount of Preference Stock.	Rate of Dividend paid in 1866.	Redeemable at £4 per Cent. for
£	£ s. d.	£
47,000	1 0 0	11,750
46,000	1 15 0	20,125
50,000	2 10 0	31,250
334,000	3 0 0	250,500
366,000	3 5 0	297,370
2,789,000	3 7 6	2,353,200
1,864,000	3 10 0	1,631,000
50,000	3 15 0	46,875
10,360,000	4 0 0	10,360,000
944,000	4 5 0	1,003,000
10,000	4 7 6	10,930
24,870,000	4 10 0	27,978,750
1,212,000	4 15 0	1,439,250
39,741,000	5 0 0	49,676,250
260,000	5 3 10	337,350
1,060,000	5 5 0	1,391,250
1,046,000	5 10 0	1,438,250
11,199,000	6 0 0	16,798,500
170,000	6 2 6	260,312
55,000	6 10 0	89,375
378,000	6 15 0	637,875
571,000	7 0 0	999,250
252,000	7 18 0	497,700
979,000	8 0 0	1,958,000
165,000	9 0 0	371,250
170,000	10 0 0	425,000
£98,988,000		£120,314,362

Total Preferential Capital £109,322,000

Do. on which Dividends were paid 98,988,000

Do. on which no Dividends were paid £10,334,000

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I N D E X.



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